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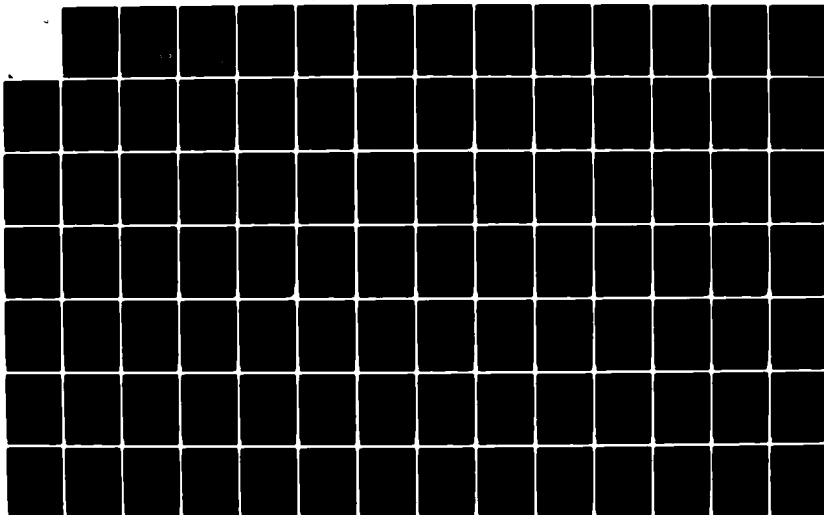
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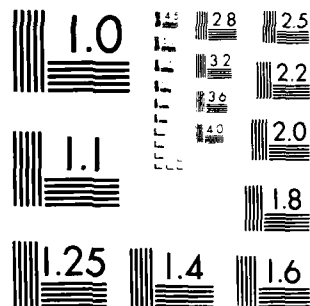
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THE NEXT FIVE YEARS

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The Next Five Years

TABLE OF CONTENTS

	<u>Page</u>
FOREIGN POLICY DECISION-MAKING	4
Coordination	9
Research and Policy Planning	11
INDIA, PAKISTAN, AND THE STRATEGIC ENVIRONMENT	
OF SOUTHWEST ASIA	13
India-Pakistan Relations: The Next Five Years	25
NUCLEAR PROLIFERATION	29
THE REGION: SOUTH ASIA AND THE INDIAN OCEAN	38
Regional Cooperation	38
Nepal	40
Bhutan	41
Bangladesh	42
Sri Lanka	44
The Indian Ocean	46
RELATIONS WITH THE MIDDLE EAST	50
RELATIONS WITH THE SOVIET UNION	55
Soviet Assistance	63
Indo-Soviet Trade	65
Soviet Arms	68
RELATIONS WITH CHINA	72
OTHER BILATERAL RELATIONS	83
Southeast Asia	83
Japan	86
Western Europe	87
INDIA IN INTERNATIONAL FORUMS	91
INDIA AND THE UNITED STATES	93



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Continuity and Change in India's Foreign Policy:

The Next Five Years

Robert L. Hardgrave, Jr.

Indian foreign policy is rooted in two traditions. One is that of British India, with a concern for the territorial integrity and security of South Asia. The other is that of the Indian National Congress, evolved from the 1920s, almost wholly under the directive of Jawaharlal Nehru and focusing on the problems of world peace, anticolonialism, and antiracism. Often enunciated in lofty and moralistic terms, it reflects a mixture of idealism and Indian self-interest. Its central concept is non-alignment--neither a policy of neutralism nor of isolation, but of independent action taken on the merits and circumstances of each case.

In the United States, non-alignment was once viewed as "immoral" and, more recently, as a euphemism for the "pro-Soviet" policy that many Americans believed India to pursue. During her 1982 visit to the United States, Prime Minister Indira Gandhi was asked at the National Press Club whether her presence in Washington suggested that India was now leaning toward the United States rather than toward the Soviet Union. "India does not lean," she replied. "It stands up straight." It was a masterly response and one that fairly describes the difficult course India has set for itself between the world's two superpowers.

Under Indira Gandhi, the practice of Indian foreign policy has shifted from the more visionary globalism of Nehru to a more pragmatic and explicit concern for India's national interests and for the region of South Asia, the arena of India's immediate security concerns. But for whatever shifts in style, the substance of India's foreign policy has shown remarkable

continuity over the past thirty-six years. It bears the indelible imprint of Nehru and commands a national consensus reflected in press and public opinion and across the political spectrum. The measure of that stability is revealed in the constancy of India's foreign policy during the period of the Janata Government, 1977-1980. The notable distinction of Janata policy was improved relations with India's neighbors--especially Pakistan and Bangladesh. There was some improvement as well in relations with the United States. But Janata's foreign policy did not mark a sharp break with the past, and its essential character reflected the broad consensus upon which Indian policy before and since has been based.

Indian foreign policy embodies three basic goals: First, India seeks to guarantee its national security against invasion from without and subversion from within, against external support for secessionist and insurgent movements and foreign interference in its internal affairs. Indian security is fundamentally regional in its scope of concern. For India, successor state to the Raj, its defense perimeters are those of South Asia itself, which for India constitutes a strategic entity. As a nation of 700 million people, with the fourth largest standing army in the world, India is the preeminent power of the subcontinent. Viewed by its neighbors, as having hegemonic ambition, India seeks recognition of its status in the region it regards as its natural and rightful sphere of influence. India has opposed external intervention and great power presence in the region both as a threat to regional security and as a challenge to its own preeminent position.

Second, India seeks independence and self-reliance. While maintaining its close and traditional friendship with the Soviet Union, India strives also to improve relations with the United States and the West. It seeks to gain greater diplomatic flexibility and to widen its options. This involves not so

much a "distancing" from the U.S.S.R. as an effort to reduce dependence and to achieve greater balance. Through a conscious policy of diversifying arms sources and in pursuing Western high technology, India seeks self-reliance and enhanced security in defense and economic development.

Third, India, already a "rising middle power," aspires to great power status--to be at least regarded as China's equal in world affairs. By virtue of its size, political stability, economic strength, and military power, India can be expected to play an increasingly important role in international politics. In the next three years, in chairing the Non-Aligned Movement, India will assume special prominence in promoting South-South cooperation and in articulating the views of the Third World in the North-South dialogue. In asserting its leadership, India has eschewed stridency and spoken with a voice of moderation for cooperation not confrontation. But whether words and aspiration will be translated into the deeds of a more active foreign policy is yet to be seen. Domestic concerns impose constraints on India's role in the world arena, and economic crisis or a deterioration in the law and order situation would likely turn India inward. India today is reluctant--as Nehru was not--to venture outside South Asia. It is beginning to project its power within the Indian Ocean, but India has taken no initiative to mediate or resolve the political conflicts within the non-aligned world that threaten the unity of the movement--the Iran-Iraq war, the Kampuchea imbroglio, and the Soviet occupation of Afghanistan. Perhaps it is better judgment, but it reflects a certain passivity in Indian foreign policy that arises out of the way in which decisions are today made in India.

FOREIGN POLICY DECISION-MAKING

Decision-making in Indian foreign policy tends to be informal, ad hoc, and reactive. It involves no grand design or long-range strategy, but a framework for tactical maneuver. The process varies with the character of the decision and with the Prime Minister's interest in the issue.

There is a hierarchy of decision-making levels culminating in the office of the Prime Minister. Within the Ministry of External Affairs (MEA), most routine decisions--those for which policy guidelines are available--are taken at the Under Secretary (Branch Officer) level. On matters of somewhat greater importance, the Joint Secretary (in the territorial divisions of MEA) might take the initiative, passing it then to the Secretary for final decision. If sufficiently important, it goes to the Foreign Minister or Prime Minister. In all of this, the role of the ambassadors at foreign posts is advisory, largely through periodic reports, and they are rarely involved directly in policy decisions.

On major issues commanding the Prime Minister's attention, she may, in consultation with her advisers, take the initiative. A note is then routed to MEA by the Foreign Minister or, more typically, through the Prime Minister's Principal Private Secretary to the Foreign Secretary. MEA then responds with a position paper, sending it up through the same channels.

When an initiative comes from within MEA, it may be brought to the Prime Minister by the Foreign Minister or by the Foreign Secretary directly or through the PM's Principal Secretary. In the case of direct contact with the Foreign Minister or Foreign Secretary, the Prime Minister normally refers the note to her Secretariat. The Principal Secretary reviews the material, calling attention to certain points or paragraphs and may attach his own comments in helping to shape the options available to the Prime Minister.

The whole process, however, is much more informal than any "flow chart" would suggest. For the most important decisions, formal institutions give way to personalism. Mrs. Gandhi, as did her father, Jawaharlal Nehru, has made foreign policy her special field of interest. But Mrs. Gandhi is overburdened and only when an important matter demands immediate response is it likely to be brought to her. Less pressing issues may be deferred or handled as routine within the existing framework of ongoing policy. Decisions taken by the Prime Minister, however, may involve little or no consultation with the Ministry of External Affairs. In some instances, the Ministry has learned of a decision only when it was announced to the press. Sometimes it is simply informed of a decision taken. In the case of India's recognition of Kampuchea, for example, the Ministry learned of the decision only a few days before recognition was formally announced. Often Mrs. Gandhi will make a snap decision while MEA is still formulating a position or the available options, as she did in support of Mrs. Thatcher on the Falkland Islands.

With increasing frequency, the Ministry may be involved in decision-making to the exclusion of the Minister of External Affairs. The Foreign Minister is the Prime Minister's spokesman in Parliament and in the international forum, but his actual role in decision-making is variable. Indeed, the Foreign Minister may be bypassed in the direct contact between the Prime Minister or her Secretariat and the Foreign Secretary. Narasimha Rao is highly respected and has performed well as Foreign Minister, but it is widely believed that he has been excluded from many high level decisions. The nature of these relationships, however, depends more on personal confidence than institutionalized linkage. When T. N. Kaul, an intimate of the Nehru family, served as Foreign Secretary, Mrs. Gandhi relied heavily upon him. Similarly, the current Foreign Secretary, M. K. Rasgotra, has a close relationship with

the Prime Minister, as does MEA Secretary Natwar Singh. But their predecessors, R. D. Sathe and Eric Gonsalves, were not so favored.

In decision-making, Mrs. Gandhi makes extensive use of the Prime Minister's Secretariat. She perhaps relies less on Principal Secretary P. C. Alexander than she did on P. N. Haksar, who preceded him from 1969 to 1973 and exercised a major role in making foreign policy, but Alexander, as head of the Secretariat, occupies a key position in the decision-making process. Virtually all papers pass through his hands and, even if he offers no independent advice, by shaping the options open to the Prime Minister and drawing out the implications of decision alternatives, the Principal Secretary plays a critical--often decisive--role. Alexander, a member of the Indian Administrative Service and a specialist in international trade, is highly capable and judged by observers to be without foreign policy biases.

Mrs. Gandhi turns to advisers within the Secretariat and the Ministry of External Affairs and to personal confidants on an ad hoc basis. Within the Secretariat, R. N. Kao, former director of the Research and Analysis Wing (RAW)--India's C.I.A.--serves as the Prime Minister's national security adviser, although without the broad-ranging responsibilities of his American equivalent. Reaching outside official circles into the informal group of retired senior civil servants she has gathered around herself, Mrs. Gandhi relies on her trusted adviser G. Parthasarathy--"G.P.", as he is widely known. A retired journalist and diplomat, G. P. has great influence with the Prime Minister but acts as something of an alter ego rather than as a source of decision-making initiative. He is called in for consultation on particular issues and does not serve as a general foreign policy adviser on a continuing basis. Parthasarathy also serves as a frequent emissary for the

Prime Minister--most recently to Sri Lanka on the issue of the status of that nation's Tamil minority.

Mrs. Gandhi also turns from time to time for advice to B. K. Nehru, her cousin and former ambassador to the United States, as well as to another former ambassador to the U. S., L. K. Jha, although his influence is more economic and may, in any case, be waning. T. N. Kaul, typically described as pro-Soviet, continued to be very close to Mrs. Gandhi after his retirement as Foreign Secretary, but in the past four years he has fallen from favor. The break--and most observers in New Delhi believe that Kaul no longer has Madam's ear--may have come as a result of the January 11, 1980, speech by India's Ambassador to the United Nations. The speech, accepting the Soviet justification for the invasion of Afghanistan at face value, was drafted by Kaul and proved an embarrassment from which India has sought to extricate itself. Two other advisers once close to Mrs. Gandhi and regarded as pro-Soviet are also gone: D. P. Dhar, who played a critical role in Indo-Soviet relations in the early 1970s, died in 1975; and P. N. Haksar, who as Mrs. Gandhi's Principal Secretary from 1969 to 1973 functioned as "de facto Foreign Minister,"¹ was exiled from influence after he locked horns with Sanjay.

Historically, Indian foreign policy has been centered within the office of the Prime Minister. Nehru, who served as his own Foreign Minister, dominated foreign policy and shaped the Ministry of External Affairs in his own image. While other ministries were expected to place before the Cabinet matters affecting other ministerial spheres and policy initiatives that involved a significant departure from the past, MEA did not do so. It saw itself as answerable only to the Prime Minister, and this relationship has

been perpetuated by Mrs. Gandhi, as it was for the most part during the Janata interregnum.

The Political Affairs Committee of the Cabinet, chaired by the Prime Minister, is formally the highest decision-making authority of the Indian Government. In the early 1970s and especially during the course of the Bangladesh crisis, Mrs. Gandhi regularly consulted the Committee--albeit, most typically after a decision had been made within the Prime Minister's inner circle. By 1973, with increasing centralization of authority in the hands of the Prime Minister, the Committee lost any significant role in foreign policy decision-making, as the Cabinet itself ceased to be a deliberative body. The importance of the Committee and Cabinet alike was restored under the Janata Government by Morarji Desai, but since 1980, Mrs. Gandhi has again drawn the decision-making process into her Secretariat.

Like the Cabinet, the Parliament plays no active role in foreign policy. The Congress Parliamentary Party's Standing Committee on External Affairs seldom meets and then only at the call of the Foreign Minister to inform MPs of decisions already taken by the Government. Parliament's Consultative Committee on Foreign Affairs, with a membership reflecting the relative strength of the parties in the Lok Sabha, is also largely a channel of one-way communication used by the Government to garner support and mute criticism. But that the Government is sensitive to parliamentary opinion and potential attack underscores the importance of Parliament in holding foreign policy within bounds of the consensus shaped by Nehru.

Indian foreign policy is based on a broad consensus. It has never been a central issue in an election campaign, and while the press devotes considerable attention to foreign policy issues, it is a fundamentally supportive and reinforcing influence. But the Prime Minister is not unlimited

in his or her exercise of authority in foreign relations. Public opinion, as expressed in the press and voiced in Parliament, can exert influence and impose restraint, seen most dramatically in the pressure on Nehru from 1959 to 1962 to toughen Indian policy towards China and, most recently, in Indian press criticism of Mrs. Gandhi's initial (negative) response to the Pakistani proposal for a no-war pact. But "public opinion" is less a source of influence in creating foreign policy than it is a limit on the decision-makers' range of options. The major constraints on Indian foreign policy are imposed by the consensus itself. Within that consensus, the Prime Minister has considerable freedom and support, but a break from "policy as usual", a movement too far one way or the other, is likely to meet considerable resistance from both government and public. But in giving continuity to Indian foreign policy, the consensus also minimizes initiative and reinforces the essentially reactive character of Indian policy.

Coordination

There is little coordination among the various ministries concerned with India's international relations--notably External Affairs, Defence, Commerce, and Finance. Frequently ministries other than MEA will make important decisions on sensitive issues affecting the conduct of Indian foreign policy. Sometimes even state governments have been involved, as West Bengal in relations upon Bangladesh. There are periodic and ad hoc meetings between officials of different ministries, though these are judged generally ineffective. These contacts are usually at the level of Secretary and rarely involve junior officers. The problem is most critical in the lack of coordinated strategic policy between MEA and the Ministry of Defence. Each guards its sphere of authority, diplomatic and military, with MEA having primary responsibility for national security policy. MEA, however, does not

have a separate functional division on military affairs or national security-- nor does the Foreign Service training program include a specialized course of strategic studies. Similarly, the Ministry of Defence has no specialized unit on foreign policy issues.

The proposal for a National Security Council, with G. Parthasarathy as chairman, has encountered resistance from senior secretaries, and the Foreign Secretary can be expected to oppose the creation of any body that may diminish the role of MEA. The increasing prominence of the Prime Minister's Secretariat in making foreign policy has already created some of the conflict that characterizes the relationship between the U.S. Department of State and the National Security Council.

There has been some effort to coordinate intelligence. The Research and Analysis Wing (RAW), established in 1968, is in charge of external intelligence. It is located within the Cabinet Secretariat, with direct responsibility to the Prime Minister. The Joint Intelligence Committee (JIC) coordinates intelligence activities. Its membership represents MEA, Defence, Home, RAW, IB (Intelligence Bureau of the Home Ministry, which is responsible for domestic intelligence and counter-intelligence), and the three military intelligence units. Under the chairmanship of an Additional Secretary of the Cabinet Secretariat, the JIC meets regularly to prepare a weekly report on national security and periodic papers on special issues. The JIC, however, with only a small secretariat, has little capacity for long-range assessment. It reports to a Steering Committee under the Cabinet Secretary. The Committee is composed of the Foreign Secretary, the Defence Secretary, the Home Secretary, the Director of RAW, Chairman of the Chiefs of Staff, and the Chairman of the JIC. They in turn formally report to the Political Affairs

Committee of the Cabinet--but in practice, the linkage is from the Cabinet Secretary directly to the Prime Minister.

Research and Policy Planning

The daily flow of information from missions abroad into the Ministry of External Affairs is voluminous: daily telegrams; more detailed and less urgent dispatches; intelligence reports from RAW and military attaches; an array of regular and ad hoc reports; and foreign press clippings and news summaries. MEA's capacity to process and analyze this vast amount of material and to conduct research is limited. The Historical Department prepares background papers (largely historical, as the name suggests), but nothing comparable to the analyses of the Research Department of the British Foreign Office or of the U.S. Department of State's Bureau of Intelligence and Research. In India, the burden of assimilating and evaluating the inflow of information falls almost wholly on MEA's territorial and functional divisions, where the daily desk traffic of cables requiring immediate response gives officers little chance to take a broader, long-range, or more considered perspective. Moreover, many Foreign Service Officers, however capable they may be, often lack specialized knowledge of the problems they confront. FSOs in India are in the classic generalist tradition, and while some have developed expertise in particular nations or regions, there are few "area specialists." Nor does MEA draw such specialists onto its staff as consultants.

In 1966, the Ministry of External Affairs established the Policy Planning and Review Division (PPRD). At the time of its creation, its functions were defined as follows:

The Policy Planning Division undertakes the study in depth of important problems pertaining to our external relations; it collects factual data based on historical research and analyses, and reports from our Representatives abroad, and endeavors, in the light of developing trends and after weighing the political,

economic and security aspects of a question, to evaluate the adequacy of the current policies, and anticipates the short- and long-term problems which may arise, and seeks the promotion of our relations with the outside world in the future. The studies and recommendations, after scrutiny by the Policy Planning and Review Committee, are submitted to Government for approval and form the guidelines and directives for our future policy.²

From the beginning, PPRD faced problems of coordination within the Ministry, as the various divisions, unwilling to cede policy planning to others, guarded their turf. Though it has been served by able officers, PPRD has, in fact, produced few policy papers, and there is little to suggest that it has any impact in the making of Indian foreign policy. With a small staff, PPRD devotes much of its effort to writing speeches for the Foreign Minister and Prime Minister, an important task surely but some measure of the relatively low priority given policy planning.

Journalist Inder Malhotra, of the Times of India, states flatly, "India has no policy planning,"³ and off the record, this judgment is confirmed by any number of Indian diplomats. As is the case with so many countries, including the United States, long-range planning in India has fallen victim to the immediate demands of day-to-day decisions, to the "ad hocism" that characterizes the policy process. Justified in terms of making each decision "on merit," the approach is a response to the demands--and the expediences--of the moment. But the point should not be lost that for all the ad hocism in Indian foreign policy, decisions are made within the context of a broad consensus on national interests and policy goals--a consensus shaped by Nehru. And if Indian policy is essentially reactive, with little long-range planning, it operates in terms of a basic position. All of this has given stability and continuity to Indian foreign policy since 1947, and it reduces the prospects for any significant departures from established policy over the next five years.

If a non-Congress coalition Government were to come to power in the next parliamentary elections, the Foreign Minister and the Political Affairs Committee of the Cabinet will likely assume a greater role in making foreign policy. Similarly, if Rajiv succeeds Mrs. Gandhi as Prime Minister, he can be expected to be far less involved in foreign policy than his mother has been. In either case, foreign policy decision-making is likely to become more concentrated in the hands of senior civil servants - whether in the Prime Minister's Secretariat or in the Ministry of External Affairs.

INDIA, PAKISTAN, AND THE STRATEGIC ENVIRONMENT OF SOUTHWEST ASIA

India's strategic concerns are regional, and Pakistan is the lens through which India tends to view most other relationships. India regards itself as the successor state to the British Raj and as such heir to the historic strategic concerns of South Asia. For India, the subcontinent is a strategic entity, its outer boundary forming India's own "natural" defense perimeter. As the preeminent power of the region, India sees the subcontinent as its sphere of influence. India's South Asian neighbors see in its power a domineering stance and hegemonic ambition. During the Janata phase, India's relations with its neighbors improved markedly. Mrs. Gandhi, since her return to power in 1980, has not been so generous, but neither has she assumed an overbearing role. Yet Pakistan--truncated in size and constituting no realistic threat to India--remains an obsession, and India's smaller neighbors are like so many thorns in its side.

Other states of the region, not surprisingly, have sought to resist Indian hegemony and have done so principally by turning outward. From its inception, spawned by the two-nation theory, until the creation of Bangladesh in 1971, Pakistan regarded itself as India's rightful equal and sought

military parity with its larger neighbor. Pakistan found in the United States and later China willing partners. For the United States, Pakistan--the eastern flank of the northern tier bordering the U.S.S.R.--was an ally in the containment of the Soviet Union and, through its SEATO membership, of China. But, while there was divergence in Pakistani perceptions of Soviet intentions, Pakistan saw little threat to itself from the Soviet Union and even less from China. India was its enemy, and the United States its source of arms and support. By the early 1960s, as Sino-Indian relations deteriorated, Pakistan drew closer to China, reinforcing its security shield against India.

India saw in Pakistan's call for the liberation of Kashmir, its build-up of arms, and, most critically, in its involvement of external powers--the United States and China--in the subcontinent a major threat to Indian security. The linkage between India's two main adversaries, Pakistan and China, was of special concern. As a counter-weight, from the early 1960s, India strengthened its ties with the Soviet Union, forging a security relationship symbolized by the 1971 Indo-Soviet Treaty of Peace, Friendship and Cooperation.

The dismemberment of Pakistan and the creation of Bangladesh in 1971 changed the character of the South Asian strategic environment. India emerged as the undisputed power of the region. Pakistan, albeit reluctantly, accepted the reality of India's superiority, and from 1972, in the "spirit" of the Simla Agreement, the two nations moved with fits, starts, and reversals toward detente. This was possible, in part, because of the lower profile assumed by the United States in the region and by Pakistan's movement toward non-alignment. But the 1970s also witnessed a relaxation in India's relations with China, beginning with the exchange of ambassadors in 1976. Tensions within the region arising out of India's sometimes domineering stance toward

its neighbors were eased under the Janata Government, as India reached accords with Bangladesh and Nepal over long-standing disputes and took the initiative toward improved relations with Pakistan.

Pakistan, however, if prepared to accept the reality of India's preeminence within the region was not prepared to accept India's political, economic, or cultural hegemony. After the loss of East Bengal, to shore up the two-nation theory upon which it was founded, Pakistan turned increasingly toward the Islamic world as a source of identity and away from South Asia--in effect rejecting the concept of South Asia as a strategic entity and the Indian paramountcy that it implied.

The Soviet invasion of Afghanistan in December 1979, however, made clear that South Asia is a strategic entity, and that if Pakistan is now a "frontline" state, its capacity to withstand Soviet pressure depends in large degree on India. India-Pakistan rapprochement is the key to regional security and is essential to resisting the expansion of Soviet influence in the area.

The Afghan invasion not only brought the Russians to the gates of South Asia--in reality making the Soviet Union itself a South Asian power--but Indian fears were awakened by America's response in a major arms commitment to Pakistan and in the buildup of naval forces in the Indian Ocean. As reports of the Soviet invasion came in, the major voices of the Indian press--The Times of India, The Hindustan Times, The Statesman, The Hindu, and The Indian Express--unanimously condemned the Soviet action, but at the same time expressed alarm over United States intentions to renew military assistance to Pakistan, which they saw as a direct and immediate threat to Indian security. They warned that the arms the U.S. might supply to Pakistan would constitute no credible deterrent to the Soviet Union. But American arms, whatever their intended purpose, had been used in the past against India, and an emboldened

Pakistan could again employ them--perhaps in a new adventure in Kashmir. In the face of a rearmed Pakistan, India would have to respond in kind, with a resulting arms race in the subcontinent that could only deepen tensions, set back the progress toward Indo-Pakistan detente, and thwart the emergence of a common regional response to the Soviet invasion of Afghanistan.* Above all, by bringing the superpowers into confrontation in South Asia, the security of India--and of Pakistan--would be threatened. Implicit, but unstated, was the understanding that India's influence within the region would be accordingly diminished with enhanced Soviet and American presence.

Even before formally taking the oath as Prime Minister in January 1980, Mrs. Gandhi assumed control of Indian foreign policy, but it was a time of frantic political activity in the formation of the new Government. A draft of a United Nations speech on Afghanistan (widely believed to have been prepared by T. N. Kaul) was cleared with Mrs. Gandhi. Some say it was no more than passed before her eyes, but whether or not it got her close scrutiny, the speech, delivered on January 11, was soon regretted--not so much for its basic policy perspective as its apparent acceptance of Soviet justifications at face-value. In the vote on the UN resolution calling for the immediate withdrawal of Soviet troops from Afghanistan, India was one of the few non-aligned nations to abstain.

In refusing to join the chorus of condemnation, India believed that, based on its traditional friendship with the Soviet Union, it would be in a position to apply pressure privately--although the failure of the Soviets to advise India of its intentions in Afghanistan, despite the consultation

* It should be noted that during the late 1970s, India had already embarked on a major arms modernization program. Negotiations with the French for the Mirage 2000, for example, began before any suggestion that the F-16 might go to Pakistan.

provisions of the 1971 Indo-Soviet Treaty, was hardly a good omen for any influence India might be able to exert. But India also believed that isolating the U.S.S.R. would only make the Soviets more intransigent and that Soviet withdrawal could be affected only by means of a political solution.

India has sought to "defuse" the situation. Viewing the Soviet presence in Afghanistan in part as a consequence of growing superpower rivalry in the region, India publicly calls for an end to all foreign interference, careful to balance its disapproval of Soviet troops in Afghanistan with criticism of outside support for the mujahideen. In the first months after the Soviet invasion, there was some hope that India might play a constructive role in securing a Soviet withdrawal, but whatever private pressure India may have exerted came to nought. (There is disagreement about the vigor with which India pursued the issue with the Soviets, but if India was unwilling to use the full measure of its leverage, its disapproval of the Soviet presence in Afghanistan was abundantly clear.) India chose not to take the initiative in formulating a political solution, but has lent its support to the Geneva negotiations under UN auspices. Over time, however, India has grown increasingly frustrated over the prospects for a political solution. Privately, Indian officials express deep concern about the implications of a permanent Soviet presence in Afghanistan.

India would ideally prefer a Finlandized solution to the Afghan situation--a return to a government along the lines of that before the 1978 Saur revolution, perhaps with the king as a rallying point for Afghan nationalism. The questionable stability of the government, however, would be a major impediment to Soviet acceptance of such a political settlement. India is prepared to accept a non-aligned Karmal Government--but how Karmal could survive without Soviet troops is another matter. What India would find even

less acceptable than Soviet troops in Afghanistan, however, would be an Islamic fundamentalist regime in Kabul--an unlikely prospect in any case given Soviet concerns about the spread of Islamic revivalism into the adjoining Muslim regions of the U.S.S.R. itself.

Indian concern about a permanent Soviet presence in Afghanistan arises out of its objective to insulate South Asia from external influence and intervention. A Soviet-controlled Afghanistan would likely result in a deepened and more awesome American presence in the region. This is already measured in the commitment of sophisticated weapons for Pakistan, the build-up of naval forces in the Indian Ocean, and the establishment of the Rapid Deployment Force. India fears, as well, the establishment of American bases and surveillance facilities in Pakistan--a presence, which from Indian perspective, can only embolden Pakistan vis-a-vis India and, at the same time, provoke the Soviet Union to strengthen its own military capabilities within the region. The prospect of American bases in Pakistan is a source of particular unease in New Delhi, and some officials express the fear that were the United States to pursue such a course, it could drive India into greater dependence upon the Soviet Union at a time when India is seeking to lessen that dependence and widen its options.

The American balance to the Soviet presence in Afghanistan and the Indian Ocean provides the nations of South Asia room for maneuver that would be difficult if one Great Power alone had predominant influence within the region. But so long as India and Pakistan are at odds, a superpower "balance" carries not only the danger of armed confrontation between the Great Powers but deepened regional insecurity in the polarization of the United States-Pakistan-China on one side and the Soviet Union-Afghanistan-India on the other. Nothing could be more threatening to Indian security or the peace of

the region. For this reason, India seeks to minimize American military involvement in South Asia at the same time that it seeks to neutralize Afghanistan and secure the withdrawal of Soviet troops. A permanent presence by both the United States and the Soviet Union in South Asia would, moreover, diminish Indian influence within the region and undermine its role in the larger international arena.

For all their mutual suspicion, there is an increasing recognition in India and Pakistan that the security of each and of South Asia more generally depends upon regional cooperation and specifically on Indo-Pakistan detente. Although the F-16s are symbolic of America's commitment to Pakistan, few Pakistanis are confident that the United States would be prepared to go to war in the possible event of a Soviet attack. Such an attack is regarded as unlikely, although the Soviets could put enormous pressure on Pakistan--through support for Baluch and Sindi separatism and by raids in "hot pursuit" of Afghan guerrillas behind Pakistani lines and in refugee camps. Such raids (accompanied by the work of agents provocateurs among the Afghan refugees themselves) might be designed to stir domestic hostility against the refugees, as the Lebanese came to resent the Palestinians in their midst as they drew Israeli fire. Pakistan has a pressing desire for a political solution to the Afghan situation and, foremost, to secure the return of the refugees.

India has a vital interest in Pakistan's strength and stability--although few Pakistanis are yet convinced that this is so. As once Afghanistan was the buffer against Czarist Russia, so today Pakistan is India's buffer against Soviet power and disturbances in Iran. A breakup of Pakistan could not only involve the extension of Soviet influence, if not control, to the Indian Ocean, but it could have a contagious destabilizing effect on India itself.

India is wary too of Pakistan succumbing to Soviet pressure. India wants a strong and secure Pakistan--but not one so strong as to threaten Indian security. Here India is fundamentally ambivalent. India has stated that it has no objection to Pakistan's acquisition of arms from foreign suppliers, including the United States, so long as those arms are appropriate to Pakistan's defense. India judges the F-16s, with their deep penetration capability, to be inappropriate, but more than the F-16 itself, it is the American commitment it symbolizes that worries India. India's concern about the transfer of arms to Pakistan is fundamentally a concern about external security ties with the United States, not Pakistani military power. At what point will India be secure vis-a-vis Pakistan? Absolute security, to paraphrase Kissinger in a South Asian context, can be achieved only by the absolute insecurity of India's neighbors.

For Pakistan, India remains the primary security threat, and the performance capabilities of such weapons as the F-16 give to Pakistan, so they believe, a deterrent to Indian attack. To use them in a first strike against India, however, would be to invite Indian retaliation against which Pakistan could not defend itself. Today, in contrast to the blustering days before 1971, most Pakistanis admit that they could not win a war against India, and General Zia has said so explicitly. Pakistan--although its armed forces are greater today than in 1971--no longer seeks parity of military strength with India nor can it realistically. Pakistan has, however, proposed negotiations for an established ratio of forces, conceding in advance India's military superiority. Pakistan's security lies in deterrence and, ultimately, detente.

The Indians are not so sure. They speak often of an "irrational" element in Pakistani behavior that could lead them into yet another adventure

in Kashmir. Although given little credence by India's foreign policy elite, various scenarios depict a Pakistani attack on India. One scenario projects Pakistani F-16 air strikes against the off-shore oil rigs of the Bombay High or the nuclear reactors at Trombay, together with a blitzkrieg movement into Kashmir. In this dark vision, an international call for a cease-fire--backed by American support for Pakistan--would give to Pakistan the initial advantage of time. But it would be hard to imagine India accepting a cease-fire in the face of territorial losses in Kashmir, knowing that with overwhelming military superiority it has the capacity to secure victory over Pakistan in the Punjab. Moreover, the Soviet Union could be expected to play its role in the United Nations, as it did in 1971, to give India more time. The United States would not be a guarantor of Pakistani aggression against India nor, given the continuing security ties between India and the Soviet Union, would China likely intervene. An alternate--and equally unlikely--scenario envisages a Pakistani strike against Kashmir, with F-16s held as a threat against an Indian counter-thrust across the Punjab and Rajasthan borders.⁴

However implausible these scenarios may be, perceptions shape reality. If most Indians in responsible positions reject such scenarios as farfetched, others take them seriously. The possibility of another war between India and Pakistan--whatever its origin--cannot be dismissed, and if there is a fourth round of armed conflict, it is unlikely to be limited to engagements along the border. In past wars, neither India nor Pakistan attacked strategic targets--although each had the capacity to do so. As perceived vital interests are threatened, that restraint can no longer be taken for granted. Targets of critical importance--hydroelectric dams, nuclear reactors, etc.--will be vulnerable to attack.

Indian fears are deepened by social unrest in the Punjab, complicating India's security on the western border. Indeed, some Indians are convinced that there is a Pakistani hand in the Sikh agitations and that this is part of a larger design to weaken and destabilize India. Many Pakistanis, no doubt, still seek revenge on India for the breakup of Pakistan in 1971, but an unstable India could hardly enhance Pakistan's security, particularly if India was convinced of Pakistan's involvement. But beyond heightened international tension and the possibility of war which Pakistani intervention in Indian domestic politics would surely entail, regional unrest in India might well have a contagious effect on ethnic nationalism in Pakistan.

If the scenarios played out in India's fears are unrealistic, they underscore nevertheless the profound lack of trust between the two nations. The mutual suspicion between India and Pakistan is rooted in the historical legacy of partition, three wars since independence, and centuries of Hindu-Muslim enmity. Most Pakistanis are convinced that India has never reconciled itself to partition and the existence of Pakistan. Many believe that India nurtures dreams of conquest. Indians generally believe partition to have been a tragic mistake (where they lay the blame varies), but few indeed would want to see India burdened with the absorption of 90 million Pakistani Muslims. India has no territorial claims against Pakistan--save in the special case of Kashmir, the conflict that remains after 36 years the major bilateral issue between the two countries. India has let it be known (though not yet formally proposed) that it is prepared to settle the dispute by recognizing the line of control as the de jure boundary. Pakistan has declared any legitimization of Kashmir's division unacceptable. While Kashmir remains for some an intensely emotional issue, one hears with increasing frequency in Pakistan the suggestion that the Kashmir issue be "set aside" and the matter be left to

future generations to settle. There is, in effect, a willingness to accept the status quo but not yet to give it the legitimacy of formal recognition.

Against the voice of reason heard in both New Delhi and Islamabad, however, mutual suspicion and fear nourish paranoia. Many Pakistanis express the belief that India will at some point try to take Azad Kashmir by force. Some are convinced that India will attempt a preemptive strike--possibly with Israeli collaboration--against Pakistan's nuclear facilities. Some see India, acting as a Soviet proxy, mounting a full-scale attack upon Pakistan or joining the Soviets in a two-front war to dismember Pakistan and divide the spoils. This view may not be widely shared, but most Pakistanis are convinced that India seeks hegemony over South Asia, with a weak and subservient Pakistan. Many Pakistanis believe that India is exploiting ethnic discontent in Sind and Baluchistan and that there is real danger of Indian intervention in the event of serious unrest. Mrs. Gandhi is viewed with particular suspicion. Pakistani analysts feel that if Mrs. Gandhi comes under political pressure or faces social unrest in India, she will use Pakistan as a scapegoat for her own problems and for India's domestic troubles. Under extreme pressure, some believe, she might pursue diversionary military action against Pakistan. And it is widely believed that Mrs. Gandhi herself is a major impediment to improved Indo-Pakistan relations and that rapprochement will be possible only after she is gone.

The gap between India and Pakistan will not be easily bridged, but the "war clouds" that some saw on the horizon in 1980 and 1981 have receded. While rhetoric and accusations continue to rise and fall, tensions between India and Pakistan have eased. India has responded to the Pakistani proposal for a no-war pact with a counter-offer for a treaty of friendship and cooperation; Mrs. Gandhi and General Zia have met for discussions; and a joint

commission has been established to promote economic and cultural cooperation. The joint commission is an important breakthrough because Pakistan, to secure its separate identity, has long sought to minimize economic and cultural relations in fear of Indian domination. The no-war pact, proposed by General Zia in 1981, reflects that concern at the same time that it is a direct response to changes in Pakistan's strategic environment. But that Pakistan made the offer at all, having repeatedly rejected similar proposals made by India since 1949, aroused Indian suspicion. Mrs. Gandhi initially rejected the offer as a subterfuge. Under pressure from Indian domestic and international public opinion, Mrs. Gandhi responded to the Pakistani overture and offered a treaty of friendship--its purpose more comprehensive in seeking to forge closer social, economic, and cultural links between India and Pakistan. The two proposals serve different purposes, though each strikes a point of mutual interest in common security. The no-war pact is designed to secure Pakistan's backdoor to India. The treaty of friendship and cooperation is designed to open that door to greater Indo-Pakistan contact and to reinforce the concept of South Asia as a strategic and cultural entity.

The two proposals, now on the table for discussion, provide a basis for meeting on common ground. Pakistan has opposed the "no foreign bases" provision in the treaty of friendship as a compromise of its sovereignty, but it would be no less a limitation on India than Pakistan--and there is within Pakistan, in any case, strong popular opposition to any provision of bases to the United States, as there is to the use of Pakistan for operations of the U.S. Rapid Deployment Force. In serious negotiations on an Indo-Pakistan security treaty, Pakistan may yield on the basing provision, but it will not easily give way. Another sticking point is "strict bilateralism"--the provision that neither party raise bilateral issues (here referring

specifically to Kashmir) in international forum. While Pakistan is not prepared to accept the status quo in Kashmir, it is prepared to "set it aside"--a phrase currently in vogue in Pakistan government circles--and to tone down the rhetoric. An Indo-Pakistan treaty could reach a compromise by invoking both the spirit and phraseology of the Simla Agreement, with its commitment to the settlement of differences through peaceful bilateral negotiations.

There are powerful incentives for both India and Pakistan to reach an accord, for it is in Indo-Pakistan detente that the region can most effectively be insulated from foreign interference--be it the expansion of Soviet influence or the greater involvement of the U.S. in the region as a counter-weight to Soviet presence. This is recognized by officials in both New Delhi and Islamabad, yet each remains distrustful of the other: Pakistan fears domination under Pax Indica, while India remains suspicious of Pakistani efforts to secure external support to balance Indian predominance with the region. China has encouraged Pakistan to patch up its differences with India, as has the United States in recognition that America's strategic interests within the larger region depend in large degree on the capacity of India and Pakistan to provide for their common security through cooperation.

India-Pakistan Relations: The Next Five Years

Given conflicting signals, the movement forward followed by sudden reversal, discerning trends in India's relationship with Pakistan is rather like reading the entrails of a sheep. Any projection of trends is all the more difficult because of the changing character of the strategic environment, potential political instability in Pakistan, the impact of events in Afghanistan, and the role of external actors--the Soviet Union, China, and the United States.

The most probable course of events for Indo-Pakistan relations over the next five years will involve alternating periods of tension and progress toward detente, but without dramatic change in the basic character of the relationship. Barring a major setback--an increase in U.S. arms commitments to Pakistan; establishment of U.S. bases, reconnaissance facilities, or RDF supply depots in Pakistan; or a Pakistani nuclear explosion--there should be a gradual improvement in relations. Out of the efforts of the joint commission, communications and visits across the border should become easier; trade is likely to increase, although it will continue to be constrained by Pakistani protectionism; and there will be a likely relaxation in cultural exchange, cinema, and publications. Movement in the political and security areas is likely to proceed with considerable caution. If a non-Congress coalition Government comes to power in India in the next election, the prospects for detente are likely to improve, but nearly four decades of mutual suspicion and hostility will not be displaced by new Governments in either New Delhi or Islamabad.

Discussions on an Indo-Pakistan treaty are likely to be protracted, while progress toward cooperation proceeds on other fronts. The caution on India's part is not solely a product of suspicion of Pakistani intentions, but comes out of a reluctance to extend "legitimacy" to military government in Pakistan.* Indian newspapers report that the Pakistan People's Party (PPP),

*There is a certain irony in India's opposition to military rule in Pakistan and to the current romanticization of Bhutto in India. Bhutto was hardly a "friend" of India, and there is no reason to assume that a civilian government in Pakistan would be easier to deal with than a military regime. In fact, there has probably been no government in Islamabad more genuinely prepared to reach an accommodation with India than that of General Zia. The danger in military rule in Pakistan lies less in the direct threat it poses to India than in the potentially explosive political situation it has generated domestically. The prospect of political chaos and instability in Pakistan is not viewed with equanimity in New Delhi.

once led by Bhutto, urges India not to sign an accord with General Zia and that the mood in Karachi is against the treaty. The reports, no doubt, express popular opposition in Pakistan to the military government and anything that might extend Zia's rule; they may also be something of a smokescreen for India's own suspicions of Islamabad; and they could well involve Soviet amplification to impede progress toward Indo-Pakistan detente. As India and Pakistan move toward improved relations, it should be expected that those who have little to gain--notably the Soviet Union and its stalwarts in India--will engage in a campaign against Pakistan. And if Pakistan persists in its apparent determination to "go nuclear," Islamabad will provide plenty of fuel.

India's own rigid stance, however, does not ease Pakistan's suspicions and security fears--as, for example, on the question of Pakistan's re-entry into the Commonwealth. Although Pakistan has not formally requested re-entry, India has made its opposition clear. India's argument is that Pakistan opted out of the Commonwealth under Bhutto, and only a duly-elected government, acting in the name of the people, can opt back in. (Given the character of the Commonwealth today, with its many African military dictatorships, India's position carries little credibility.) The second point in India's case against Pakistan's re-entry is that while in the Commonwealth, Pakistan continually brought up bilateral issues (that is, Kashmir) in violation of Commonwealth custom. In November 1983, India for the first time hosted the Commonwealth Conference. At the New Delhi meeting, India lost a significant opportunity for a bold and imaginative step in advancing India-Pakistan rapprochement by not proposing Pakistan's readmission to the Commonwealth.

One factor that should encourage improved relations between India and Pakistan is India's chairmanship of the Non-Aligned Movement, a three-year

term that commenced in March, 1983. The responsibility for leadership of the movement, of which Pakistan is a member, should give to India added incentive to make peace with its neighbors and to exercise its preeminence within the subcontinent in such a way as to encourage regional cooperation.

The most serious impediment to Indo-Pakistan detente--and to Indo-U.S. relations--lies in the character of Pakistan's security relationship with the United States. India can be expected to oppose any significant increase in the quantity or quality of arms transfers to Pakistan (e.g., an increase in the number of F-16s or a major advance in the avionics supplied). India would be particularly concerned if the United States were to acquire bases in Pakistan (for prepositioning RDF equipment, for electronic surveillance, etc.). The stationing of troops or U.S. aircraft operations from Pakistan, even for submarine surveillance, would be a matter of grave concern to India, as would be the development of U.S. naval facilities at Gwadar or Pasni in Baluchistan.

Whatever short-term tactical advantage the United States might gain in Southwest Asia by such action would surely be offset by the far greater costs to America's long-range interests in the stability and security of the region. The costs would entail an unnecessary alienation of India; an almost inevitably closer security tie between India and the Soviet Union; and a deterioration in Indo-Pakistan relations that could possibly lead to a fourth war. There is never a guarantee that war can be regionally contained. As Kissinger writes in his White House Years, for example, the U.S. feared in 1971 that the Indo-Pakistan war could lead to Chinese intervention and Soviet response. In the uncertainty of the new strategic environment of the region, though both the United States and the Soviet Union would surely resist being drawn in, another Indo-Pakistan war carries the added danger of widened

conflict and the Indian nightmare of superpower confrontation in the subcontinent.

Political instability in Pakistan, particularly regional/ethnic unrest, could play a major factor in shaping Indo-Pakistan relations. The breakup of Pakistan is not in India's interest. It would result in the creation of petty states vulnerable to penetration by foreign powers. Indian influence would by no means be guaranteed--save initially in Sind, where animosity against Punjabi domination is so intense that some might welcome the Indian Army as liberators. But even in Sind, as in Bangladesh after 1971, Indians would soon wear out their welcome. Baluchistan would probably come under Soviet influence, providing the Russians their access to the Indian Ocean, and a Paktunistan, the long-sought dream of Pathan nationalists in the Northwest Frontier Province, could survive only at Soviet sufferance.

Any attempt by the Soviet Union to destabilize Pakistan or to aid and abet in its dismemberment would be seen in New Delhi as a threat to Indian security. India has no desire to share a boundary with the U.S.S.R., or to relinquish its position as the preeminent power of the subcontinent.

NUCLEAR PROLIFERATION IN SOUTH ASIA

The major source of tension in Indo-Pakistan relations over the next five years is likely to be Pakistan's nuclear program. Despite Pakistan's repeated denials, available evidence points to a clandestine program directed toward nuclear weapons capability. The questions are how long will it be before Pakistan attains that capability and, once it has it, whether it will opt for the testing, production, and deployment of "the Bomb." Most observers now believe that Pakistan is not as close to nuclear capability as once thought, but barring major technological problems, Pakistan should reach capability

within the next five years--a time frame, Indians note, that dovetails with the delivery schedule of the last of the F-16 aircraft.

But if American arms are a restraint on Pakistan's decision to "go nuclear," the leash will not be cut with the delivery of the last F-16. Pakistan is almost wholly dependent on external sources of arms, and in access to spares, it has a thin cushion to sustain any cutoff. China cannot supply technologically advanced weapons, and third party transfers (through Saudi Arabia, Egypt, or Turkey, for example) would be a necessarily limited and insecure source. If taking the nuclear option would cut Pakistan off from the sources of advanced conventional weapons--and it surely would from the United States and probably, if only in response to U.S. pressure, from Western European suppliers as well--the bomb would make Pakistan all the more vulnerable.

A nuclear deterrent--if that is Pakistan's goal--would not displace the need for conventional arms. Without a conventional deterrent, Pakistan would be compelled to respond to any attack or incursion with "massive retaliation" or to acquiesce to aggression. Moreover, in the South Asian context, unless Pakistan faced nuclear weapons across the border in India--and it does not at this time--its own bomb would not necessarily provide greater deterrence to an Indian attack than effective conventional weapons, although it would surely raise Indian perception of risk. In its deep-penetration air strike capability, Pakistan already has sufficient strength to inflict serious damage on India and thus to deter possible (though unlikely) Indian attack. Pakistan does not, however, have the strength to defeat India militarily--nor would nuclear weapons give it that strength, for a nuclear Pakistan would be soon checked by a nuclear India with second-strike capability.

One of the principal aims of the United States in supplying weapons to Pakistan is to give Pakistan sufficient confidence in its own security that it will find the nuclear option less attractive and unnecessary. Pakistan today no longer seeks parity of military strength with India, but the challenge is to find the balance that will give Pakistan the capacity to deter an Indian attack without at the same time constituting a threat to Indian security. Security does not rest on weapons alone. The challenge is as much in modifying perceptions, in building trust on both sides, for India does not view itself as a threat to any nation and sees in Pakistani armament aggressive intent. The U.S. role here is critical, and it involves recognition of South Asia as a strategic entity. Any provision of weapons to Pakistan that upsets the ratio of military strength in the subcontinent or which introduces a new level of sophistication in arms (as did the F-16) will fuel the arms race and may increase the danger of nuclear proliferation in South Asia. Pakistan's security is inextricably bound to that of India and of the subcontinent as a whole. In providing arms to Pakistan, the United States (without giving a "veto" to New Delhi) should consult India and at least seek to assuage India of any danger to its own security. India's trust of Pakistan or of the U.S. is not likely to be enhanced when it learns of a major American offer of arms to Pakistan on the front page of the New York Times or in a television interview on "Meet the Press."

Whether or not Pakistan takes the nuclear option, it seems determined to have that option--and this, in itself, is potentially destabilizing. Nuclear technology is today sufficiently advanced that a test may not be necessary. (Israel, for example, is believed to have developed a nuclear weapon without actually testing it. An untested Pakistani device, however, cannot be assumed to have the same credibility.) But to give the signals that the capacity has

been reached but the test option not taken, if credible, will surely arouse Indian fear that Pakistan has chosen the covert weapons option. A wholly covert program could serve no deterrent purpose. (It would be most unlikely, moreover, that such a program could be hidden from India.) There must be at least an element of uncertainty, but that would be sufficient to propel India toward its own "covert" program. We would thus face a situation of mutual uncertainty.

If Pakistan conducts a nuclear test (and Bhutto, who initiated the Pakistan program, insisted there was no such thing as a "peaceful nuclear explosion"), India would be compelled to respond in some way. There would be enormous political pressure for India, having already demonstrated its nuclear capability at Pokhran in 1974, to take the weapons option and move toward production and deployment. Most well-informed observers in India, however, believe that the Government of India would continue to resist the weapons option. In these circumstances, India would likely resume tests, probably with a series, to demonstrate both its resolve as well as its technological superiority to Pakistan. We would then face a situation where both India and Pakistan would have demonstrated nuclear capability through tests, each publicly denying that it had developed a nuclear weapon but retaining the option to do so. The situation is inherently unstable, for in the capacity to choose the weapons option is the capacity to develop a bomb covertly. India today can have the demonstrated capacity to manufacture a nuclear weapon and forego the decision to do so--either overtly or covertly--because Pakistan does not yet have the capacity. When both India and Pakistan have the capacity, the fear that one might have already taken the covert option may be sufficient to impel the other to do likewise. Indeed, despite the American consensus that India does not have "a bomb in the basement," many Pakistanis

are convinced that India has a modest nuclear weapons stockpile. This perception, a justification by some for Pakistan's nuclear program, could lead to dangerous miscalculation.

Nuclear testing by Pakistan and India would, under the terms of the Non-Proliferation Act of 1978, trigger the suspension of U.S. assistance to each nation. The United States would thereby lose whatever leverage it may have had with each in restraining further movement toward the acquisition of nuclear weapons. The U.S., as well, would in effect have opted out of the region as a strategic counterweight to the Soviet Union.

If India were to take the nuclear weapons option in response to Pakistani tests (or if it were to pursue a weapons program on its own initiative), there would likely be a call, especially in the United States, for the imposition of severe international sanctions against India--closed loan windows, trade restrictions, and denied access to high technology. But once India and Pakistan go nuclear, sanctions may do little more than to drive them more deeply into dependence upon the Soviet Union and China respectively.

If in response to a Pakistani test, India were to take the weapons option, Pakistan would surely follow with its own program. Each with their own nuclear weapons, even with initially limited delivery capabilities (e.g., a free-fall weapon mounted on a deep penetration aircraft--an F-16 or Mirage 2000), they would achieve mutual deterrence in a regional "balance of terror." Indeed, K. Surbrahmanyam, Director of India's Institute for Defence Studies and Analyses, sees in this a new level of stability for South Asia. Few are so sanguine. Nevertheless, we should not assume that India and Pakistan would be any less responsible than the U.S. and U.S.S.R. in their policy with regard to the use of nuclear weapons, but the fallibility of command, control, and

communication in South Asia enormously raises the risk of nuclear war by miscalculation.

South Asia, while a strategic entity, is not an isolate that can be quarantined. A decision by India and Pakistan to go nuclear would have wide impact, not only in stimulating further proliferation, but in upsetting the strategic balance. India's decision to test a nuclear device in 1974 was, at least in part, a response to China's nuclear status and capability, as China's weapon, in turn, was a response to the Soviet Union. How the nuclearization of South Asia will fit into Soviet and Chinese security remains uncertain and, therefore, an added element of risk.

The asymmetry of nuclear power is one of the major impediments to the control of nuclear proliferation in South Asia. In 1974, after India's Pokhran explosion, Pakistan proposed that South Asia be declared a nuclear weapons-free zone. Pakistan has also proposed that both India and Pakistan sign the Nuclear Non-Proliferation Treaty and open all nuclear facilities to international inspection. The proposals are unacceptable to India. First, and most critically, Pakistan and India do not share the same threat perception of China, and India is not prepared to deny itself the weapons option so long as China remains a nuclear power. Second, a South Asian nuclear weapons-free zone under security guarantees from the U.S., the U.S.S.R., and China is viewed in New Delhi as a design to contain India's power and influence. It would, in effect, be yet another instance of Pakistan seeking external support as a counterweight to India's predominance in South Asia. Third, India rejects the concept of a nuclear weapons-free zone, as it does the Nuclear Non-Proliferation Treaty, as a legitimization of nuclear weapons in the hands of those who already have possess them and as a means by which those powers seek to retain their nuclear weapons monopoly.

The Soviet Union opposes proliferation and has given India no encouragement in taking the nuclear weapons option. China's position is that it is the sovereign right of any nation to develop its own nuclear weapons--although China has not itself offered the bomb as "just another weapon." There have, however, been various reports of Chinese technical assistance to Pakistan in its nuclear program. There has also been speculation that China would test a Pakistani bomb at its own grounds in the Takala Makan desert. The reports, not surprisingly, are of special concern to India. That China would assist Pakistan in fabricating a nuclear weapon seems unlikely and at odds with Chinese interests. China has sought to improve relations with India and to encourage Indo-Pakistani detente, both calculated to check the expansion of Soviet influence in South Asia. Chinese nuclear assistance to Pakistan would surely undermine these efforts--deepening tension between India and Pakistan and forcing India into greater security dependence upon the Soviet Union.

Given Indian apprehension about Pakistan's nuclear program, there has been speculation as to a possible preemptive strike by India against Pakistan. There are five principal facilities in the Pakistani program: (1) Kahuta uranium centrifuge, (2) Chasma reprocessing, (3) Islamabad reprocessing, (4) Multan heavy water plant, and (5) Karachi nuclear power plant. Kahuta would probably be the most critical single target in destroying Pakistani capacity to develop a nuclear weapon. Kahuta, however, is underground and well-protected. An Indian airstrike or commando raid would have no guarantee of success. Pakistani newspapers, however, have carried reports of India-Israeli collusion for a planned Israeli strike from an Indian base--a highly improbable connection.

A preemptive strike, either directly by India or by a third power with Indian collaboration, would carry high costs for India and is most unlikely. It would almost inevitably mean war with Pakistan. It would draw international sanctions and possible embargo of Middle Eastern oil and expulsion of Indian workers from the Gulf. But beyond the risks of failure and the costs even of success, a strike against Pakistani nuclear facilities involves the danger of released plutonium and the deadly effects of radiation poisoning over a wide area--including northern India. A preemptive strike against Pakistan would also likely bring Pakistani retaliation against Indian nuclear reactors. India is not likely to bring such destruction upon itself.

There is in India a "pro-bomb" lobby that has long argued that India should produce and deploy nuclear weapons independently of what Pakistan may do. And, with a nuclear mystique of power, prestige, and technological achievement, there is in India, as there is in Pakistan, wide popular support for the bomb. Advocates argue that simply retaining the "option," given the indeterminate time required to produce and deploy nuclear weapons, is insufficient to meet possible challenge and to deter attack. They warn of Pakistan's clandestine nuclear program and of the continuing danger of China to Indian security. They call for nuclear weapons as enhancing and ensuring India's self-reliance in a time of crisis.

The Government of India has resisted the various arguments for exercising the option and will likely continue to do so, whatever the leadership in New Delhi, over the next five years--unless there is a major change in India's security situation. Testing of a Pakistani nuclear device would surely raise the question, but so too would a serious deterioration in Sino-Indian relations or Sino-Soviet rapprochement. Although India's relations with China have improved and China is not perceived as an imminent threat, India relies

on the Soviet Union as a deterrent to China. A relaxation of tension between the U.S.S.R. and China might provide the opportunity for closer Sino-Indian relations and a settlement of the border dispute, but it might also be a source of considerable unease in New Delhi. If Sino-Soviet detente raises any doubt as to Soviet reliability, India might feel that its security vis-a-vis China requires development of an Indian nuclear deterrent.

That India has not already taken the nuclear weapons option is at least partly the result of the lack of technology to sustain a full-scale nuclear weapons program--from research and development through deployment in modern delivery systems. With time, this will be more within India's reach, but unless India is prepared to remain a permanently second-class nuclear power (and thus potentially vulnerable), the costs will be staggering, as the continuing arms race between the U.S. and the U.S.S.R. bears witness.

The nuclear debate continues in Indian government, scientific, and intellectual circles at a high level of sophistication. Some early advocates of the bomb, such as Subramaniam Swamy, have had second thoughts, but even those who are generally regarded as opponents (former Prime Minister Morarji Desai, for example) are not prepared to forswear the option. There is no anti-nuclear movement in South Asia, although some serious doubts are now beginning to be raised about nuclear power as the answer to India's energy needs.

Nuclear proliferation in South Asia is not inevitable. Indo-Pakistani detente will surely reduce the danger, but it does not wholly solve the problem of doubt. Given India's security concerns vis-a-vis China and its position with regard to the "legitimacy" accorded the nuclear weapons powers by the NPT, there is little prospect for the declaration of South Asia as a nuclear weapons-free zone or for opening all nuclear facilities in the region

to international inspection. But there is within the framework of Indo-Pakistani detente the possibility for a nuclear accord between the two states. An Indian proposal, for example, to extend the scope of the joint commission to cooperation in the field of nuclear energy might be an important first step toward mutual inspection and the development of a South Asian equivalent of Euratom.

THE REGION: SOUTH ASIA AND THE INDIAN OCEAN

Within South Asia, India's relationships with its smaller neighbors have been that of a big brother, protective but often domineering. India's preeminence has led the other states of the region to seek external support as counterweights to secure whatever degree of autonomy from India as might be possible. Some have looked beyond the region for sources of identity--Pakistan to West Asia, Bangladesh and Sri Lanka to Southeast Asia.

Regional Cooperation

Regional cooperation has been undermined by the unequal distribution of power in South Asia and by the conflict between India and Pakistan. New Delhi has in the past tended to view regionalism as a design to enable the other states to "gang up" against India. India has thus sought to deal with each country bilaterally and to discourage communication and contact among the nations on its periphery. For their part, the smaller countries have been reluctant to enter into regional cooperation for fear that India would inevitably dominate any association and that it would, in effect, institutionalize Indian hegemony.

This has begun to change. In 1980, President Ziaur Rahman of Bangladesh, not long before his assassination, proposed that there be a greater degree of regional cooperation among the seven South Asian nations--India, Pakistan,

Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives--in facing their common problems. India and Pakistan were initially reluctant, but over four sessions of discussion at the foreign secretary level, the groundwork was laid for limited multilateral cooperation in a "South Asia Forum," or, as it came to be known, South Asian Regional Cooperation (SARC). In August 1983, the foreign ministers of the seven nations met in New Delhi to give their formal assent to the promotion of "collective self-reliance" in nine fields: agriculture, rural development, planning, health, education, transport, telecommunications, sports, and culture. Emphasizing the equality of association, each nation is charged with responsibility for at least one field of cooperation. The declaration proclaimed the goal as one of mutual assistance "to accelerate economic growth, social progress and cultural development in the region." All decisions are to be unanimous and "bilateral and contentious issues shall be excluded from the deliberations."

The move toward South Asian cooperation clearly comes within the framework of the Non-Aligned Movement's new emphasis on South-South cooperation. If India, in chairing the Movement, is unable to participate in promoting cooperation of NAM members in its own neighborhood, its credibility as a leader in the movement as a whole is likely to be weakened. South Asian Regional Cooperation will keep its distance from political and strategic questions, and many essentially multilateral problems, such as water resource development in the region embracing India, Nepal, and Bangladesh, are unlikely to be moved from the bilateral level upon which India has insisted. Nevertheless, SARC provides a major step toward regional cooperation that can only enhance the security of the subcontinent and reduce the opportunities for foreign interference. The next five years are likely to see a gradual and selective extension of cooperation, but the scope and success of regional

cooperation depends fundamentally on the capacity of India and Pakistan to settle their differences and India's ability to win the confidence of its weaker neighbors.

Nepal

India's strategic perimeter embraces Nepal, and in the defense of its northern borders against China, Nepal is vital to India's interests. Relations between the two nations have long been characterized by friction. Nepal, landlocked and dependent upon India for aid, trade, and transit, seeks to resist Indian domination and political interference. In the past five years, there has been significant progress in improved relations on matters of trade and on water and hydro-electric cooperation, but looking to the next five years, these areas, along with the political and strategic, remain subjects of continued and sometimes strained discussion.

In 1978, under the Janata Government, India signed a new seven-year trade and transit treaty with Nepal. Some 70 percent of Nepal's trade is with India and the rest passes through Indian territory. India's generosity in the terms of the 1978 treaty led Mrs. Gandhi, then out of power, to attack it as a capitulation to Nepal, and renegotiation in 1985 is likely to again raise rancorous issues--transit points for goods into Nepal, especially from Bangladesh; smuggling of luxury goods into India imported into Nepal from third countries; and preference for Nepali products in the Indian market.

Another area of tension is Nepali resentment against the prominent role of Indians in the kingdom's economy, but again it is a resentment arising from dependency--both on Indian investment and technical-managerial skill.

Population movement is a source of potential conflict. An estimated 500,000 Nepalis cross the border into India every year in search of work, and as many as half are believed to settle permanently. This has led to increasing

ethnic tension in the northern districts of Uttar Pradesh and Bihar, in Sikkim, and in India's Northeastern states. Remittances by Nepali workers in India are important to Nepal's economy and underscores its vulnerability to Indian influence.

Nepal has tried to reduce its dependency on India by diversifying its economic relations (with little success) and sources of aid (the U.S., China, and India being major contributors), but India remains Nepal's dominant trading partner and a principal benefactor. Nepal is, in effect, on a short leash. In return for its assistance, India expects Nepal to do nothing that would undermine Indian interests, especially in the vital area of security.

The "bedrock" of Indo-Nepalese relations is the 1950 treaty of peace and friendship and the accompanying protocol that requires the two countries to consult with each other and to devise effective counter-measures to meet any threat to the security of either nation. In 1973, King Birendra proposed that Nepal be neutralized as a "zone of peace." India viewed the proposal as an attempt by Nepal to modify the special relationship under the 1950 treaty and to equate India and China--which, given India's strategic concerns in the Himalayan kingdom, is unacceptable. Nepal has continued to push the proposal and has received support for the plan from 26 nations, including China and all of the South Asian states other than India. In 1982, India agreed to take the proposal under study but remains unenthusiastic.

Bhutan

India's "special relationship" with Bhutan is based on the 1949 treaty by which Bhutan agrees "to be guided" by India in its foreign relations. In 1978, the Bhutanese National Assembly called for renegotiation of the treaty, and the king has urged that it be "updated." But, especially in the light of China's 1982 criticism of the "unequal treaty," India is reluctant to change

the terms of its relationship with this isolated but strategically vital nation. Any changes are likely to be more of form than substance and the treaty's security component will reaffirm Bhutan's position within India's defense perimeter.

With India's sponsorship, Bhutan became a member of the United Nations, and though its entry was criticized by some as giving a second vote in the UN to India, Bhutan has sought to exercise a degree of independence--even to the extent of incurring Indian displeasure by its vote on the seating of Kampuchea. But Bhutan is heavily dependent upon India--with its economic development almost wholly financed by India--and it is careful not to step too far out of line. For its part, India has not interfered in Bhutan's domestic affairs nor is it likely to do so--so long as Bhutan does not seek external support. India's concern is most critically China, with whom Bhutan shares a border but has no direct relations.

Bangladesh

Relations between India and Bangladesh have been strained since the assassination of Sheikh Mujibur Rahman in 1975. Most of the problems between the two nations, however, go back before the creation of Bangladesh in 1971 and have been the subject of intermittent negotiation. Tensions relaxed during the Janata phase, with the signing of an interim agreement in 1977 on the Ganges waters-Farakka barrage problem. The issue, relating to the flow of water into Bangladesh, is the major dispute among a number of outstanding bilateral issues.

Mrs. Gandhi's return to power in 1980 cooled relations. There was a flareup in the dispute over New Moore/South Talpatty Island, a sand spit that emerged in the Bay of Bengal in the early 1970s. The issue (now on a

backburner) is heated because the maritime boundary between the two countries has never been delimited, and ownership of the island could affect oil and natural gas rights in the Bay of Bengal. Relations have also been ruffled by mutual suspicion of interference in insurgencies within each country. India has accused Bangladesh of harboring Mizo rebels, while Bangladesh has charged India with stirring tribal discontent in the Chittagong Hill Tract and with giving sanctuary to anti-Bangladeshi dissidents.

But while tempers sometimes flared, India and Bangladesh have moved forward in a number of areas: a trade agreement in 1980, a telecommunications agreement and a memorandum of understanding on technical cooperation in 1981, and a protocol on inland water transport and trade in 1982. In October 1982, Bangladesh's military ruler, Lt. General H. M. Ershad, went to New Delhi for the first talks between leaders of Bangladesh and India in eight years. The summit had been well-prepared. Ershad and Mrs. Gandhi agreed to extend the Ganges waters interim agreement for 18 months, with a slight modification in the schedule for water distribution during the dry season. The final agreement, to be reached by April 1984, awaits technical reports now in preparation, but failure to reach an understanding on the issue will seriously affect relations.

The 1982 Ershad-Gandhi summit also brought a resolution of the dispute over two tiny Bangladeshi enclaves in India. India agreed to lease in perpetuity a corridor to connect the enclaves to the rest of Bangladesh. A third achievement of the summit was an agreement to establish a joint economic commission at the ministerial level to promote cooperation in commercial, scientific, technological, transport, and communications fields.

The most serious problem in Indo-Bangladesh relations, however, is the least susceptible to diplomatic effort--the illegal movement of people across

the border from Bangladesh into India. The flow of migrants seeking work in India has been especially destabilizing in Assam and Tripura, and while the February 1983 election violence in Assam, together with renewed efforts to control the border, has stemmed the tide, a deterioration of economic or political conditions in Bangladesh could again accelerate movement across the porous border. The proposed \$500 million fence--which has brought vehement protest from General Ershad--is no more likely to stop determined migrants than the fenced portions of the U.S.-Mexico border.

The weakness of Bangladesh, one of the world's poorest and most populous nations, constitutes a security threat to India. Crop failure, natural disaster, or political chaos in Bangladesh could send millions of people into India, deepening social unrest and, recalling the 11 million refugees in 1971, imposing an unacceptable burden on India. Bangladesh's weakness also poses two other security threats to India. First is the potential involvement of a foreign power, such as the United States or China, in Bangladesh. Bangladesh is non-aligned, and there is no reason to expect any change in that status. Dhaka has given India no basis for fear that it might, for example, extend basing rights to any other nation, but the weakness and instability of Bangladesh renders it potentially vulnerable to foreign interference, and New Delhi can be expected to keep a close watch. The second threat posed by the weakness of Bangladesh is the danger that at some future time political unrest could spill over into India or that Bangladesh could be used as a guerrilla base for Indian insurgents. In any of these situations, insofar as India feels its security threatened, there is a potential for Indian intervention.

Sri Lanka

Problems in India's relations with Sri Lanka relate principally to the status of the island's Tamils, who constitute some 20 percent of the

population. The "Ceylon Tamils" (11 percent) trace their origin to invaders from South India more than 1000 years ago; the "Indian Tamils" (9 percent) came to Sri Lanka from South India as plantation laborers between 50 and 100 years ago. The Government of India, with special concern for the political sensitivity of Tamil Nadu, has taken a proprietary interest in the welfare and security of Tamils in Sri Lanka, and periodic ethnic conflict on the island has strained relations between the two nations. Closely related to India's interest in Sri Lanka's Tamil minority is the Indian fear of a large-scale flow of Tamil refugees from Sri Lanka if ethnic relations there seriously deteriorate. A second area of concern in India-Sri Lanka relations (as in India's relations with each of its neighbors) is the potential for foreign involvement. In the case of Sri Lanka, India's concern has most recently focused on the possible use of Trincomalee as a U.S. naval base or fueling station.

The two areas of concern came together in July-August 1983 and could have transformed a major outbreak of domestic ethnic violence in Sri Lanka into an international crisis. United Press International reported that President Junius Jayewardene feared armed Indian intervention to protect the Tamils and had appealed to the United States, Britain, Pakistan, and Bangladesh for military assistance in the event of an invasion. Pakistan and Bangladesh were said to have responded positively, while the western embassies were consulting their governments. Nothing could have been more calculated to raise Indian alarm. Jayewardene denied any threat of invasion and informed Prime Minister Indira Gandhi that Sri Lanka had appealed to no one for military assistance. Though suspicion remained, the Indian government publicly accepted his assurances. But the report itself--and that it was widely believed--

underscores the volatility of the international relations of the region and the fears and insecurities underlying them.

New Delhi's response to the situation in Sri Lanka involved the enunciation of what foreign policy analyst Bhabani Sen Gupta calls "an Indian doctrine of regional security."⁵ India will not intervene in the internal conflicts of a South Asian nation and strongly opposes such intervention by any other country. India will not tolerate intervention in a South Asian nation if there is any anti-Indian implication. If external assistance is required to deal with serious internal conflict, help should be sought from a number of countries within the region, including India. Exclusion of India in such circumstances will be considered an anti-Indian move.

The Indian Ocean

No area within the scope of India's strategic concern is potentially more volatile than the northwestern sector of the Indian Ocean. Conflicts between the littoral states (e.g., the Iran-Iraq war), the potential for political instability in the Gulf states and Saudi Arabia, and the growing presence of the U.S. and U.S.S.R. combine to create an uncertain and highly dangerous situation.

India, in continuity with the Raj, has always regarded the Indian Ocean as vital to its security, but facing no imminent military threat from the sea, it was not until the late 1960s, after the British withdrawal east of Suez, that India directed its concerns to the Indian Ocean. It did so principally through the proposal to make the Indian Ocean a "zone of peace," secure from external military presence. The proposal was first raised by Sri Lanka, perhaps at India's initiative and certainly with India's active support, and was brought before the United Nations in 1971. It is a triumph of Indian diplomacy that New Delhi has succeeded in drawing support for the "zone of

peace" from most littoral states, for public postures do not always reflect private judgments nor do they accord with actions. The proposal was perhaps doomed from the beginning. Some states viewed the "zone of peace" as an attempt by New Delhi to transform the Indian Ocean into an Indian lake. Some, like the Shah of Iran, found in alignment support for their own quest for regional power. Others, in regional rivalries (like Somalia and Ethiopia), sought external military support for protection. And India's own enthusiasm for the "zone of peace" is not without qualification. India is well aware that other littoral states would soon demand limits on navies of the region as well as a nuclear-free zone of peace--both unacceptable to India.

By the late 1960s, both the United States and the Soviet Union had established a presence in the Indian Ocean, the U.S. with the communications facility at Diego Garcia, 1500 miles to the south of India. During the 1970s, the superpowers gradually expanded their naval forces in the region, and each began the search among the littoral states and island nations for port facilities. As the U.S. strengthened its installations at Diego Garcia, the Soviet Union acquired bases at Berbera in Somalia (from which it was expelled in 1977), then in Southern Yemen and Ethiopia. In 1978, the Soviets (to the unvoiced alarm of India) tried to obtain a base on Gan, the southernmost island of the Maldives chain, 500 miles north of Diego Garcia. The Maldives rejected the offer.

The events of the late 1970s, with the fall of the Shah and the Soviet invasion of Afghanistan, radically altered the situation in the Indian Ocean region. The U.S. saw its vital strategic interests in the Persian Gulf and the oil routes to Japan and Western Europe threatened by an expansion of Soviet power that brought the U.S.S.R. within a striking distance of 300 miles of the Strait of Hormuz. To balance the preponderance of Soviet ground forces

in Afghanistan and in Soviet territory bordering Iran, the U.S. rapidly built up its naval forces in the Indian Ocean and established the Rapid Deployment Force.

Over the previous decade, India had been sharply critical of the U.S. naval buildup in the Indian Ocean and particularly of the growing importance of Diego Garcia. New Delhi remained seemingly unconcerned about the Soviet naval presence and tended to regard it as a response to American provocation. After the Soviet invasion of Afghanistan in December 1979, however, Indian apprehension deepened that the Indian Ocean would become the focal point of the new cold war--and it carried the danger of nuclear confrontation. India began to temper its criticism of the United States by expressions of concern that the "superpower" buildup in the Indian Ocean could only be destabilizing to the littoral states--thus equating the U.S. and U.S.S.R. by naming neither--and that the security of the region depended upon a withdrawal of foreign forces. Many Indians also realized that short of the very unlikely declaration of the Indian Ocean as a "zone of peace," India's own interests, in open sea lanes and access to Gulf oil might be best served by a "balanced presence" of foreign powers. But that balanced presence carries the danger of confrontation as the powers compete for influence among the littoral states. Moreover, ties with foreign powers could deepen domestic tensions and heighten regional rivalries. U.S. bases, for example, could exacerbate political unrest in the host state, even providing the catalyst for the overthrow of the regime with which the U.S. was identified. As each superpower sees its interests in a particular state threatened, there is the temptation to intervene. From India's perspective, the U.S. Rapid Deployment Force is essentially a means by which the U.S. can intervene to prop up a friendly regime threatened from within or to depose a Government seen to

threaten its interests. India sees the island republics of the Indian Ocean as especially vulnerable to pressure and intervention--whether from the United States or the Soviet Union. Here the Government of India expresses special concern that the U.S. might seek to remove the leftist Government in Mauritius, which is now engaged in a campaign (with Indian support) for the "return" of Diego Garcia to Mauritius sovereignty.

In the coming years, India can be expected to project its power over an increasingly wide area of the Indian Ocean. It is now building a blue water navy and, though its capacity will be a long time coming, will likely offer assistance and "protection" to the island republics of Mauritius, Seychelles, and the Maldives. As Indian interests are not wholly in the western Indian Ocean, it will probably move toward a two-fleet navy, each with its complement of frigates, aircraft carriers, and submarines. India's concern in the northeastern sector of the Indian Ocean is the extension of Chinese influence. India expects China to deploy nuclear submarines in the Indian Ocean--although realistically, such a prospect does not lie on the near horizon. A Chinese second-strike capability based on submarine-launched ballistic missiles would introduce yet another element of uncertainty and instability into the strategic context of the Indian Ocean.

American interests in securing its friends within the region against external attack, in bolstering the capacity of non-aligned nations to resist Soviet pressure, and in maintaining open sea lanes to the Gulf mean that the United States will almost inevitably maintain a permanent presence in the Indian Ocean as a counterforce to Soviet power within the region and on the periphery. The Soviet Union also has interests that are likely to establish a permanent presence: security for its maritime and fishing fleets and for the

increasingly important warm water sea route between Vladivostok and the Black Sea ports; support for its friends and expansion of its influence within the region; and as a check on U.S. naval power, particularly submarines, directed against the U.S.S.R. itself. Under such circumstances, the chances for the Indian Ocean to emerge as a "zone of peace" are unlikely. At best, we can hope for a negotiated reduction of naval force levels in the Indian Ocean as part of a more general arms control agreement between the United States and the Soviet Union.

RELATIONS WITH THE MIDDLE EAST

From the time of independence, India has courted the Muslim nations of the Middle East. Its interest initially was the product of three main concerns. First, India sought to establish close relations with "progressive" Arab states and to identify itself with the Palestinian cause in the Arab-Israeli dispute in order to prevent Muslim unity in support of Pakistan. Second, with a large Muslim majority, India sought good relations with the Islamic world to secure its own image, both internationally and domestically, as a secular state in which the rights and position of Indian Muslims are fully protected. India's domestic concern was not only to give the Muslim minority a greater sense of security, but in the context of democratic politics, the governing Congress party looked to the Muslim vote as one of the critical elements of its electoral base. A third element in India's relations with the Middle East was Nehru's quest, joined by Egypt's Nasser, for Afro-Asian solidarity, the foundation of today's Non-Aligned Movement. Each of these elements, modified by the course of events, remains an important ingredient in India's concern for the Middle East. But India's involvement in the region has been extended and deepened over the past decade by economic

concerns--access to oil; trade and investment; and remittances from Indian workers in the Gulf states--and by concern over the expanded superpower presence in the Indian Ocean.

India, heavily dependent upon imported oil, has been deeply affected by the two major rounds of petroleum price increases in 1973 and 1979. Petroleum imports--more than two-thirds from the Middle East--have consumed as much as 70 percent of India's foreign exchange earnings and has been the principal factor in India's rising trade deficit and declining foreign currency reserves. India's dependence upon imported oil is being cut back dramatically by increased domestic production as well as by reduced consumption growth (affected mainly by higher pricing for petroleum products). Domestic oil production increased by 54 percent in 1981-82 and 32 percent in 1982-83. Where India imported 64 percent of its crude for domestic consumption in 1979-80, it imports only 47 percent today, and, with excellent prospects for further increases in domestic production, oil imports should continue to decline over the next five years. Nevertheless, India will remain heavily dependent on petroleum imports and thus vulnerable not only to a possible new round of price increases, but to the danger of lost access to oil arising from superpower confrontation in the Indian Ocean, political instability in the region, and war between states in the Middle East--either another Arab-Israeli war or war between Muslim nations.

The Iran-Iraq war underscores India's vulnerability. Faced with the loss of its oil supply from its two main sources, India was able to make up the shortfall on the spot market and by a shift to Gulf states suppliers, but the conflict between Iran and Iraq was costly to India not only in its scramble for new petroleum sources, but in lost Indian construction contracts in the

two countries, lost remittances from Indian workers suddenly returned home, and lost markets for Indian exports.

The Middle East is a rapidly expanding market for Indian manufactured goods and technology, and India has become increasingly active in construction projects, agricultural development, and in such joint ventures as luxury hotels. India is also seeking increased Middle Eastern investment in India. Prospects for dramatic increases in trade and investment have been tempered by the fall in oil prices, but, even in these tighter times, India has made a major breakthrough with Saudi Arabia. In 1981, the two nations signed an economic and technical cooperation agreement, and in 1982, during Mrs. Gandhi's three-day visit, India and Saudi Arabia created a joint economic commission. India seeks a long-term contract for Saudi crude, a larger share of the Saudi market for Indian exports (especially engineering goods), and a larger role for Indian consultancy services and technology. India hopes to tap the Saudi Development Fund for an increase in concessional loans and to attract greater Saudi investment in India in joint ventures. India has assured Saudi investors of handsome returns on their investments and free repatriation of profits.

One of India's most vital links to the Middle East is through the more than 300,000 Indians working in the region, most of whom are in the Gulf states. Their annual remittances of an estimated \$1.5 billion make a critical contribution to India's foreign exchange earnings and cushioned the widening trade deficit as the price of oil went higher and higher over the past decade. As oil prices have declined, however, remittances have leveled off, and officials in India's Ministry of Finance are bracing themselves for a possible decline as Indian workers return home. It is ironic that while the decline in oil prices gives India the relief of a lower petroleum import bill, it means

losses for Indian exports and, most critically, in remittances of hard currency earnings from Indian workers.

India's increasingly important economic ties with the Middle East and its continuing dependence upon Middle Eastern oil imports have deepened the political importance of the region to India and have stimulated a more active diplomatic Indian presence. This was witnessed by the mid-1970s in India's improved relations with Iran under the Shah. And India, although apprehensive about the "contagion" of Islamic fundamentalism under Khomeini, continues to cultivate its Iranian ties. The Soviet invasion of Afghanistan, the U.S. arms commitment to Pakistan, and the buildup of Soviet and American forces in the Indian Ocean gave impetus to one of the major changes in India's stance toward the region--improved relations with Saudi Arabia, once denounced by New Delhi as "reactionary." Saudi money channeled through Pakistan is a major source of finance for the Afghan resistance, and since 1980, by Indian estimates, Saudi aid to Pakistan has amounted to substantially more than \$1 billion, including \$500 million to finance Pakistan's purchase of the F-16 fighter. While India remains suspicious of the Saudis in the American and Pakistani connections (India, for example, fears Pakistani access to the Saudi arsenal in the event of another Indo-Pakistan war), it is, in part, to counter the emergence of an American-Saudi-Pakistani "strategic consensus" that India has taken the diplomatic initiative in improving relations with Riyadh. Mrs. Gandhi's visit to Saudi Arabia in April 1982 must be counted as a major success in easing mutual suspicion and in modifying, if not wholly dispelling, the Saudi image of India as "pro-Soviet." The joint communique issued on the conclusion of the visit stated that India and Saudi Arabia recognize that the "stability and security of the Gulf region and that of the Indian subcontinent were closely interlinked," and that "the two sides noted with grave concern the increasing

escalation of great power presence in the Indian Ocean area against the declared wishes of the littoral and hinterland states of the Indian Ocean." Underlying the Saudi position may be the recognition that India has a vital role to play in the stability of the larger region and that Pakistan's worth to Saudi security would be significantly reduced by Indo-Pakistani hostility. As stated in the joint communique, "consolidation of Indo-Pakistani relations will contribute to security, stability and peace in South Asia and the entire region."

During the next five years, India can be expected to pursue an active foreign policy in the Middle East, with particular concern for Saudi Arabia, the Gulf states, Iran, and Iraq, at the same time it extends its presence into the Indian Ocean as "protector" of the island republics. And India is likely to seek, as well, closer ties with Egypt. No region beyond the subcontinent within the scope of India's major concerns is likely to be more volatile than the Middle East. The wide range of possible events within the region--political instability in the Gulf states; the fall of the Saudi dynasty; civil war in Iran; an expansion of the Iran-Iraq war to the Gulf states; foreign intervention in Mauritius, the Seychelles, or the Maldives or in the littoral states; Soviet pressure on Pakistan; the breakup of Pakistan, with secessionist movements in Baluchistan and Sind; and the spread of Islamic fundamentalism--would all vitally affect Indian interests.

The course of Indo-Pakistan relations also bears directly on India's relations with the Middle East. Another war with Pakistan, depending on the circumstances and the scope of conflict, could entail active Saudi support for Islamabad, and it would seriously undermine India's position both diplomatically and economically. If India were to engage in a preemptive strike against Pakistan's nuclear facilities--a most unlikely scenario--the

consequences for India vis-a-vis the Islamic Middle East would be most serious, involving the likely expulsion of Indian workers and possible cutoff of oil.

India's relations with the Muslim world, and especially with the Islamic states of the Middle East, are also affected by Hindu-Muslim communal relations within India. Not just Pakistan, but Iran and the Arab states (particularly Saudi Arabia) have a protective interest in India's 85 million Muslim minority. Deepening communal tension within India, with Islamic revivalism and an awakening Hindu consciousness, poses not only the prospect of social unrest and violence in India but of international tension if the Government of India is unable to protect Muslim lives and property. If the Government itself were to be perceived as "anti-Muslim," the Islamic world could well impose severe sanctions against India.

Communal relations in India have another international dimension. Despite their vast majority, with more than 82 percent of the population, many Hindus fear Islamic resurgence in India, and the conversion of a thousand or so Harijans (untouchables) to Islam in a South Indian village in 1979 caused virtual panic among Hindus convinced that "mass conversions" were being financed by foreign powers. "Gulf money," in their view, is today's Khyber Pass through which Muslims seek to gain domination over India. The growth of anti-Arab popular feeling as a byproduct of domestic communal tension would surely have repercussions in India's relations with the Middle East.

RELATIONS WITH THE SOVIET UNION

Over the past twenty years, India's "special relationship" with the Soviet Union has been carefully cultivated to what each regards as mutual advantage. With toasts of friendship, differences have been confronted in the

privacy of closed negotiations and discussion rather than in the public forum. The relationship has sometimes been characterized as based on an "identity" of interests in a number of areas, but India shares neither the Soviets' values nor world view. It is rather a "convergence" of their separate interests that has sustained the relationship. Robert H. Donaldson, a specialist in Soviet policy toward South Asia, writes that "Moscow's relationship with New Delhi has been built primarily on a mutual sense of need--a shared perception in each state that the friendship of the other is essential to the preservation of its own security."⁶

For the Soviets, South Asia ranks high in geopolitical priorities. They see India, the predominant power of the subcontinent, as a critical counterbalance to China in Asia and the Third World and as a limit on American presence and influence in the region. In supporting India, the Soviets seek to balance Chinese and American ties to Pakistan, India's principal adversary, while at the same time, they seek to improve relations with Pakistan--cautious in doing so not to alarm the Indians. The Soviet Union also seeks in India, a leader of the Non-Aligned Movement, support for its position on international issues and at least silence in the face of its transgressions. The Soviets have projected their interest in India through diplomatic support, economic and technical assistance, trade, arms transfer, cultural exchange, and high level visits. Brezhnev made two trips to India, the only non-Communist country of the Third World he ever visited. Most critically, the Soviets have sought--and with considerable success--to convince Indians that the U.S.S.R. is a reliable friend whose support and assistance is vital to the realization of India's own objectives.⁷

The importance of the Soviet relationship to India is underscored by the continuity of policy under the Janata Government. When the new Government

came to power in 1977, many observers--including those in Moscow--saw in the proclamation of "genuine non-alignment" a cooling of Indo-Soviet friendship if not an ardent pursuit of American favor. Prime Minister Morarji Desai assured the Soviets of India's constancy and reaffirmed the Indo-Soviet Treaty of 1971. Following Gromyko's visit to New Delhi in April 1977, Desai and Foreign Minister Atal Bihari Vajpayee went to Moscow in October of that year.

Most Indians, even those most favorably disposed to the United States, see friendship with the Soviet Union as advantageous--even necessary--for India. They point out, almost as an incantation, that the U.S.S.R., often with its veto power, has supported India in the United Nations on the critical issues of Kashmir, Goa, and Bangladesh. In the 1962 India-China border war, the Soviets adopted a neutrality favoring India, and as the Sino-Soviet rift deepened, the Soviets provided India with an unwritten security guarantee against Chinese aggression. In the Bangladesh crisis of 1971, as the U.S. tilted toward Pakistan and China threatened intervention, India found enhanced security in the Indo-Soviet Treaty of Peace, Friendship and Cooperation. Within the subcontinent, the Soviet Union tries to accommodate its own politics toward other states of the region to Indian interests and objectives.

In aid and technical assistance, although only a fraction of what the United States has provided, the Soviets have been highly visible in their willingness to finance major public sector industrial projects from which the U.S., in part for ideological reasons, held back. Similarly, in arms sales, from the mid-1960s, the Soviets stepped in as a major supplier when the West effectively closed its markets to India. In 1979, during negotiations between the Janata Government and the U.S.S.R. for a \$1.6 billion arms sale (concluded in 1980), Prime Minister Morarji Desai stated in an interview with an American

news magazine that "if we buy more arms from the Soviet Union, it is the fault of the western countries for not selling to us."⁸

The Soviet involvement in South Asia and its support of India has been sustained by need. By contrast, Robert Donaldson states,

The United States...has developed very little stake in South Asia. Its interest in the region has been sporadic at best and is usually occasioned by a threat or challenge in an adjacent region (Southeast Asia or the Persian Gulf region). American attention to India and Pakistan, like the military aid program in the region, has been shut on and off periodically in response to specific crises or provocations. Having not needed India (or Pakistan, for the most part) in the pursuit of any of its more vital objectives, the United States has had no particular incentive to establish its presence or develop its influence on the subcontinent.

Understanding this point should help us to avoid being surprised by the substantial Soviet interest and presence in South Asia and by the relatively high esteem in which Moscow is regarded by the states of the region. It might also help us to avoid being alarmed at the Soviet presence in South Asia, having seen that Moscow's considerable investment has by no means won her inordinate influence or turned India into a puppet state, and that much of the Soviet "victory" over the U.S. in the superpower competition in this region has in effect been accomplished by default.⁹

This was written before the Soviet invasion of Afghanistan, but the American response only confirms Donaldson's argument as to the episodic character of U.S. concern for the region. The Soviet presence in Afghanistan, however, has fundamentally changed the nature of the strategic environment of South Asia and the "esteem" in which the Soviet Union is held. In a reenactment of "the Great Game," the Russians are now at the Khyber Pass--and not only Pakistan but India is worried.

India's concern about Soviet intervention in Afghanistan has strained Indo-Soviet friendship, but it has not substantially altered its character. India was miffed in not being consulted by the Soviets in regard to their action in Afghanistan, and the lack of Soviet response to India's private

expressions of concern has been a source of continuing irritation. But if the Soviet invasion of Afghanistan changed the nature of the South Asian strategic environment, India viewed the U.S. commitment of arms--notably the F-16 aircraft--to Pakistan as deepening regional tension and posing a threat to India's own security.

India's relationship with the Soviet Union is in large measure the product of its security concerns vis-a-vis Pakistan and China, but India has never been as dependent upon the U.S.S.R. as has been generally believed in the United States nor has the Soviet Union exercised pervasive influence. India, for example, has consistently resisted Brezhnev's 1969 proposal for a "collective security" system in Asia--a system clearly directed against China. India has instead sought improved relations with China, and in 1976, without consulting the Soviets, Mrs. Gandhi took the initiative in upgrading diplomatic relations with Beijing. Soviet discomfort has been expressed by warnings of China's designs in South Asia and, particularly since 1980, of a United States-Pakistan-China axis against India. Soviet publications (and their counterparts in India) have also portrayed Pakistan's offer of a no-war pact as an American-laid trap--leading Mrs. Gandhi in February 1982, without naming the U.S.S.R., to refer to "some who preferred to see that India's relations with Pakistan did not improve."

Since 1971 and the dismemberment of Pakistan, India is the undisputed power of the subcontinent. Although India still regards Pakistan as a security threat, India's military superiority is assured, and some headway has been made toward improving relations between the two nations. A militarily stronger and more self-confident India, together with an easing of tensions with China and Pakistan, have significantly reduced India's strategic

dependence upon the Soviet Union--so much so that many analysts argue that Moscow needs India today far more than New Delhi needs the Soviet Union.

Mrs. Gandhi has moved to reduce imbalances in India's relations with the two Great Powers, seeking to improve relations with the United States in her visit in July 1982 and to reaffirm the traditional friendship between India and the Soviet Union in her visit to Moscow in September 1982. But it is noteworthy that this was Mrs. Gandhi's first visit to the Soviet Union since her return to power in January, 1980. She had rather obviously avoided going earlier, even to take part in the Moscow celebration of the tenth anniversary of the Indo-Soviet Treaty of Friendship. Indeed, the anniversary was treated very differently in the two capitals. In Moscow, it was a major event; in New Delhi, it passed virtually without recognition.

There may be in all of this an element of personal pique. During the period when Mrs. Gandhi was out of power, she became a "non-person" for the Soviets. During a stopover in Moscow between London and New Delhi, she was met only by middling functionaries, and when Kosygin visited India during the Janata period, he declined Mrs. Gandhi's request for a meeting. Perhaps most galling was the Soviet information service publication of a souvenir booklet celebrating 30 years of Indo-Soviet friendship. Neither Indira Gandhi's name nor photograph appeared--despite the fact that she had been Prime Minister 11 of those 30 years.*

Another source of Mrs. Gandhi's displeasure with Moscow is the Communist Party of India (CPI), the Kremlin's recognized representative of the world Communist movement in India. The CPI had supported Mrs. Gandhi and her

*Several Indians who are well-connected with official circles mentioned the Soviet publication in interviews in New Delhi in December 1982.

Government from 1969 through the Emergency but with her defeat in 1977, the CPI broke the tie, moving closer to the independent and more powerful Communist Party (Marxist), as the CPM moved closer to the CPI by assuming a more pro-Soviet stance on international issues such as Afghanistan and Kampuchea. In the 1980 elections, the two Communist parties supported the Lok Dal-Congress (U) coalition, and since 1980, the CPI has regularly denounced Mrs. Gandhi's "anti-people and anti-democratic" policies. It has joined the CPM in exploring possible alliance of opposition parties, including the "rightist" Bharatiya Janata Party, against the Congress. During her September 1982 Moscow visit, Mrs. Gandhi attacked the cynical opportunism of the CPI and the efforts of left parties in India to weaken and destabilize her Government, and she is believed to have brought the matter up in discussions with Brezhnev and Gromyko, asking them to rein in the party and stop its criticism of her Government.

Soon after her return to power, Mrs. Gandhi cut official patronage of the CPI-sponsored Indo-Soviet Cultural Society and called upon Congress party members to resign and to join the new "Friends of the Soviet Union." She also asked Congress members to resign from the All India Peace Council, affiliated with the Moscow-backed World Peace Council.

For their part, the Soviets are not all that happy with Mrs. Gandhi's current tendency to equate the superpowers in her criticism of foreign intervention and of naval presence in the Indian Ocean. And they feel considerable unease with Indian policies on arms diversification and economic liberalization, as they do more generally with India's improved relations with the United States and China. But the Soviets have made a great investment in India, and they view India--and Indira Gandhi--as a critical source of support in the international arena. The Soviets court India with a continuous flow of

high official visitors and with new offers of aid, trade, and arms. In July 1983, they made an investment in the next generation of Indian leadership, hosting a visit by Rajiv Gandhi.

India today seeks a more balanced relationship with the superpowers, but while it seeks to improve relations with the United States, it does not do so at the cost of its traditional friendship with the Soviet Union. India seeks to reduce its dependence on the U.S.S.R., but Soviet diplomatic support for India, aid and technical assistance for India's public sector heavy industry, Indo-Soviet barter trade, and the favorable terms for arms purchases are important factors underlying Indo-Soviet friendship that will not be lightly abandoned. There are, however, clear indications that India is seeking to distance itself somewhat from the Soviet Union--to gain greater flexibility, to widen its options, to refurbish its image among the non-aligned nations, and to gain greater leverage with Moscow.

As the Indian economy has grown and diversified, its needs for expanded markets and for access to advanced technology have outgrown Soviet capacity. India recognizes that its desire for high technology--for both industry and defense--cannot be fully met by the Soviets nor can the U.S.S.R. meet India's credit requirements. In both trade and military procurements, India seeks to strengthen its independence through diversification. That process can be expected to continue over the next five years, but the Soviets remain an attractive partner. They can offer seductive trade deals and arms at comparatively low cost and on highly favorable terms. Moreover, the very nature of India's association with the Soviet Union in both trade and arms sales serves to sustain the relationship at the same time that it imposes an element of strain. G. K. Reddy, a distinguished journalist particularly well-connected to India's foreign policy establishment, has described

Indo-Soviet relations as having reached a "plateau." The term is an apt characterization, suggesting that relations are unlikely to be enhanced significantly nor are they likely to deteriorate. A major caveat, however, relates to the flux of Indo-Pakistani relations. If there is a serious deterioration in relations with Pakistan (particularly if New Delhi perceives the U.S. as bolstering Pakistan), India could well draw closer to the Soviet Union.

Soviet Assistance

Soviet aid (usually in the form of long-term loans at low interest rates) and technical assistance to India have since their beginning in 1955 gone primarily for public sector heavy industry projects--an area of high priority in Indian planning but one to which the West was unreceptive. With high visibility, the Soviets have had a major role in the construction of steel mills (Bhilai and Bokaro), in oil exploration and refining, heavy machinery and electricals, coal mining, and so on.

By the 1970s, with its infrastructural base well established, India began to look to the West for more advanced technology than the Soviets could offer. But while the volume of Soviet aid declined, the U.S.S.R. has sought to maintain its prominent role as the leading source of aid and technical assistance to India's heavy industry and mining sectors. Virtually every high level contact between India and the Soviet Union, whether in New Delhi or Moscow, is accompanied by Soviet offers of credits for new development projects. Some draw little interest, like the recent offer of a Soviet-built nuclear power station, which would involve a technology incompatible with those now used by India. Soviet technology is rarely state-of-the-art, and India would often prefer to go elsewhere, as, for example, in computers and in off-shore oil exploration. But in many areas, what the Soviets can offer is

not substantially below the quality available in the United States, Western Europe, and Japan, and it is offered on extremely attractive terms. Continued Soviet assistance in major projects was underscored in May 1983 with the agreement for the second phase of the Visakhapatnam steel project, with Soviet credits of some \$1.4 billion for the supply of goods and services. The credits are to be repaid over 20 years at 2.5 percent interest. Unlike loans from the West, Soviet credits to India are repayable in rupees and are directly tied to trade, thus linking the Indian economy closely to that of the Soviet Union for many years to come.

In the past decade, India has been increasingly selective in the projects undertaken with Soviet assistance. The big projects of the 1950s and 1960s are no longer high priority, and in many areas, India is technologically self-reliant--a principal aim of its development efforts--and is itself exporting technology to lesser developed nations. But if India is to improve its productivity and to gain the export capability necessary to meet its balance of payments requirements, it must move to more advanced technologies. To gain access to high technology, to enhance its export potential, and to develop its energy resources, India is today actively seeking selected foreign investment through joint ventures in both the public and private sector. And the West, for its part, is more receptive to collaboration with India's public sector than in the past. In the coming years, this is likely to draw India increasingly toward the West and to reduce the technological dependence on the U.S.S.R. that characterized the early years of India's industrial development. But unless the United States is prepared to relax restrictions on the transfer of technology to India (especially in such fields as computers), it is likely to lose out to Western Europe and Japan. Two factors will continue to make the Soviet Union an important source of technological assistance--at least in

those projects that may be unattractive to foreign private investment. One is the terms of transfer, with credits repayable in rupees, a factor that is likely to assume greater importance to India during periods of foreign exchange pressure. The second factor arises out of the nature of Indo-Soviet barter trade and the pressure on India to balance trade through increased purchases or obligation of credits from the Soviet Union.

Indo-Soviet Trade

Trade between India and the Soviet Union is conducted on the basis of negotiated barter agreements involving no hard currencies. This "rupee trade," as it is called, began in 1953 at a level of \$1.6 million, reaching nearly \$95 million in 1958. By 1981, the Soviet Union had moved ahead of the United States to become India's largest trading partner with trade totalling some \$3.2 billion (roughly 14% of India's foreign trade). In the past three years, as international recession, currency fluctuations, and trade restrictions reduced access to western markets, India found a ready market in the Soviet Union. India's exports to the U.S.S.R. today consist mainly of food products (tea, coffee, rice, cashews, pepper), tobacco, leather goods, cotton textiles, jute products, light engineering goods, and such consumer products as household linens, clothing, pharmaceuticals, and cosmetics. Some 75% of India's exports to the Soviet Union are now manufactured and semiprocessed goods and 90 percent of India's exports to the Soviet Union comes from the private sector. The Soviets have turned to India--their major trading partner outside the Communist bloc--both because of increased consumer demand within the U.S.S.R. and because of their own limited hard currency reserves. The Soviets are India's biggest buyers for a number of products, and some industries are almost wholly dependent upon the Soviet market. An extreme case is that of woolen knitwear manufactured in the Punjab, with an

estimated 90 percent of production going to the U.S.S.R. Cosmetics are also heavily dependent upon the Soviet market, and, in fact, a number of western companies have entered into collaborative ventures in India with the Soviet market as the principal target.

Such dependency is a matter of concern to many Indian officials. There are extreme fluctuations from year to year in Soviet purchases of given items, and the impact on Indian industry and cash crop agriculture has been destabilizing. Indeed, the unstable pattern of trade has not only made India vulnerable to the weaknesses of the Soviet economy, but has made India vulnerable to Soviet pressure in trade negotiation. Also, whether by Soviet design or simply as a byproduct of Soviet import requirements, the dependency of certain industrial sectors and of specific companies on Soviet markets has created a domestic interest group in India in favor of sustained trade on contractual barter terms with the U.S.S.R. Moreover, some Indian companies find in the Soviet Union a "captive market" for inferior goods that would otherwise have no export market. (In some instances this has led the Soviets--for all the shabbiness of their own consumer products--to complain about the quality of Indian manufactured goods.)

India's principal imports from the Soviet Union are crude oil (supplied primarily from Gulf sources) and petroleum products--together accounting for some 60 to 80 percent of Soviet exports to India. The Soviets aggressively push heavy machinery, which once made up a major portion of India's imports, but India has increasingly less interest in Soviet manufactured goods, either because the products are now made in India or because they do not meet India's needs in technological sophistication. Soviet oil exports are pegged to OPEC prices, and as the world price has fallen, a substantial trade surplus--now standing at \$500 million--has grown in India's favor. The Soviets want India

to balance the trade through increased purchases of Soviet heavy engineering goods and new projects such as the acquisition of a Soviet-built nuclear power station. The Indians, not surprisingly, would prefer to see the trade surplus reduced through increased imports of Soviet oil. In June 1983, the Soviets agreed to correct the trade imbalance by supplying India more crude and petroleum products, fertilizers, chemicals, drugs, non-ferrous metals, and newsprint.

The rupee trade, for many reasons, is not so attractive as it once was for India. First of all, beyond oil and military hardware (a special case discussed below), there is not that much the Soviets have to offer that India really wants. But oil and arms without payment in hard currency provide a powerful incentive for maintaining the Indo-Soviet trade relationship. Many Indians, however, are not convinced that even this is sufficient to justify continuation of the barter trade. They argue that while some goods exported to the Soviet Union could find no other market, many Indian products exported to the U.S.S.R. could earn foreign exchange for India with which it could purchase oil and advanced technological items. It is a big "maybe" and obviously involves an element of risk in exchanging the security of the rupee trade for the unknowns of the free market. There are, however, elements within the current relationship which--although not yet on a scale to create major problems--are surely irritants. One involves trade diversion--Soviet import of western goods through Indian firms and paid for in rupees. Related to this is the foreign component in many of the Indian products imported by the Soviet Union. In either case, India has to come up with the foreign exchange. Another problem, although probably exaggerated by its critics, is the "switch trade," the Soviet re-export of Indian products for hard currency.

In looking to the next five years, Indo-Soviet trade can be expected to grow, as there continues to be room for an enormous increase in Indian exports to satisfy Soviet consumer demand. Given the range of both agricultural and industrial products that the Soviets can acquire from India without expenditure of hard currency and India's continued petroleum import requirements, the barter trade is likely to be sustained at a high level--so long as the Soviets are willing to meet India's import needs rather than push their own export preferences. New agreements will be reached by tough bargaining on both sides, but the disagreements and irritants are not likely to have a substantial affect either on the volume of trade or on the character of Indo-Soviet relations more generally.

It will be primarily through export promotion in the international market, however, that India will seek to expand and diversify its foreign trade. But should India face protectionist barriers and trade restrictions in the West, it will come under increasing foreign exchange pressure. Exchange difficulties for India will almost surely raise the importance of the rupee trade with the Soviet Union and Eastern Europe--thus reinforcing a relationship of dependency that is neither in the interest of India or of the West.

Soviet Arms

Like Soviet technical assistance, the transfer of arms is tied to the barter trade, but the bookkeeping remains a matter of speculation. Soviet weapons are offered to India at relatively low cost, repayable in rupees on easy terms. Particularly important for India, the Soviets have been willing to provide the manufacturing technology, exemplified by the production of MiG-21s in India, dating back to the agreement of 1962. Indian arms procurement from the Soviet Union began in 1960. By 1964, the U.S.S.R. was on

its way to becoming a major supplier, and during the 1970s, some 75 percent of India's arms imports came from the Soviet Union.

By the late 1970s, India began to grow uneasy about its dependence upon Soviet weapons. In its quest for independence, India wants to be sure that in time of crisis no nation can hold India "hostage" and deprive it of its military capability. In part for that reason, India began a conscious effort to diversify its sources of arms, but other factors also entered into the decision. In upgrading its weapons systems, India wants the most advanced arms available, and what the Soviets offer is often not up to the mark. Diversification of arms sources would not only give India access to western military technology, but would give India greater leverage with the U.S.S.R. in negotiations for the most sophisticated weapons in the Soviet arsenal.

Aside from Soviet reluctance to share its latest technology with India, however, there have been problems in the Indo-Soviet arms relationship. Delays in the supply of military spares have been a source of constant irritation, and given the major portion of Indian arms from the U.S.S.R., reliance on Soviet spares is a source of vulnerability as well as long-term dependency. Soviet weapons are also not always the bargain they seem. Spares and servicing have sometimes been overpriced. Moreover, in more advanced Soviet weapons manufactured in India, certain critical elements of production have been withheld from the Indians, in effect, keeping India on a short leash of dependence upon the Soviet Union.

Major arms diversification began under the Janata Government, with the acquisition of the Anglo-French Jaguar, and has been sustained since 1980 by the Congress Government, with contracts for the French Mirage-2000 and West German submarines. At the same time that India was entering the western arms market, the Janata Government began negotiation for a new arms agreement with

the Soviet Union. The agreement, concluded in 1980 soon after Mrs. Gandhi returned to power, provided \$1.6 billion in credits to India for Soviet weapons--probably substantially more in market value, given the low prices at which the weapons were tagged. In contrast to western weapons purchased with hard currency, the agreement provided for repayment in rupees at 2.5 percent interest over 17 years. (In contrast, the \$3.2 billion U.S. arms package for Pakistan is repayable in dollars at 11 percent interest over 14 years.) The 1980 Indo-Soviet deal involves production of two major new weapons in India: MiG-23 fighter-interceptors to be built at the three factories manufacturing MiG-21s, mainstay of the Indian air force for nearly two decades, and the Soviet T-72 tank, to succeed the Vijayanta and to be built at Avadi. The agreement also included a Soviet commitment to supply India with the high altitude reconnaissance MiG-25 "Foxbat."

India's diversification surely gives the Soviets greater incentive to meet India's weapons requests, but the 1980 agreement by no means slowed India's efforts to diversify its arms sources. Soviet concern over new arms contracts negotiated with Western European suppliers is measured by the March 1982 visit of Defense Minister Dimitri Ustinov, with a delegation that included the Soviet naval and air chiefs and the vice chief of the Soviet Army Staff, together with 30 generals and other high ranking officers. The Ustinov visit prompted speculation of another major arms deal in the offing, with hints that the package might include the MiG-27, the most advanced fighter in the MiG family. Later in the year, the Soviet minister for shipbuilding came to India with an offer to supply the technology for production of Soviet-designed submarines and naval aircraft--both at bargain prices. In July 1983 (while Secretary of State George Schultz was in New Delhi), Indian Defence

Minister R. Venkataraman was in Moscow to conclude a new agreement believed to include MiG-27s to be manufactured in India.

India is today engaged in a major defense equipment replacement program. It aims not only at the acquisition of the best available in modern arms but, eventually, to achieve self-reliance in arms production. India now manufactures some 90 percent of its small arms, much of it under license, but for sophisticated weapons, India looks abroad. In the name of "self-reliance," India has sought domestic manufacture/assembly, and this is, in fact, a condition in most Indian negotiations for arms. In addition to the various MiG deals, the Jaguar and Mirage contracts provided for production in India. In the process (whether it is really cost-efficient or not), India has gotten jobs and experience and a degree of manufacturing technology, but they have not gotten "self-reliance," as twenty years' production of the MiG clearly demonstrates. India still relies on the Soviet Union for advances in MiG technology. Given rapid change in high technology and the enormous costs of research and development, "self-reliance" in arms would condemn India's arsenal to permanent obsolescence--a condition that India will never accept given access to more modern arms by less self-reliant neighbors.

If India cannot realistically achieve self-reliance in its defense requirements, it can maximize its independence--and this is India's fundamental purpose--through diversification of arms sources. In the coming years, the Soviet Union will continue to be India's largest single source of arms. As a supplier, it has proven reliable (in contrast to the image of the United States in South Asia), and the Soviets offer weapons at comparatively low cost, on favorable terms, and most critically, with repayment in rupees. But both to ensure India's independence and to acquire technologically superior weapons, India will continue to look to western sources. Indian

military preferences, no doubt, include a number of American weapons, but U.S. imposed conditions on arms transfer have been unacceptable to India. Thus, Western Europe, principally France, Britain, and West Germany, are likely to be the sources to which India turns in balancing its Soviet arms acquisitions.

RELATIONS WITH CHINA

India and China, in cautious approach to rapprochement, held their fourth round of talks in New Delhi in October 1983. The next round is scheduled for Beijing in 1984. Each session in what is likely to be a protracted series of discussions has sustained a continuing movement toward improved relations, and while there is no expectation of an early breakthrough on the border question, the dialogue itself has relaxed tensions and contributed to an atmosphere more receptive to a negotiated settlement.

China's world view is dominated by security concerns vis-a-vis the Soviet Union. China fears encirclement by the U.S.S.R. and envisages Afghanistan and Vietnam as pincer claws moving inward. Here India, as the preeminent power of the subcontinent, occupies a crucial geopolitical position. In 1977, as the Janata Government took power with the talk of "genuine non-alignment," Beijing hoped that India could be weaned away from the Soviet Union. In short time that hope had given way to more modest expectations. Today, in seeking to improve relations with India, China hopes to widen India's range of diplomatic options. Although it continues to view India as an apologist for the Soviets (Afghanistan and Kampuchea), China no longer regards India as a proxy for the U.S.S.R. But while it does not expect India to abandon its traditional friendship with the Soviet Union, China would be happy to contribute to a "distancing" in that relationship.

Derived from its principal interest in limiting the Soviet role in Asia and in checking Soviet attempts to forge an Asian collective security system directed against China, Beijing seeks to promote regional cooperation in South Asia as the best guarantor against the expansion of Soviet influence in the subcontinent. Early in 1981, Premier Zhao Zhiyang visited Pakistan, Nepal, and Bangladesh, urging that they patch up their differences with India. Later that same year, Foreign Minister Huang Hua, after his visit to India, went to Sri Lanka and the Maldives where again the message was regional cooperation. Conflict and instability within South Asia has been the open door to superpower involvement in the region--whether the U.S.S.R. or the U.S.--and in this perception, China's interest dovetails closely with India's pursuit of a region free from superpower intervention. China recognizes the reality of India's preeminence within the region, but sees in this the responsibility of a "big brother" for his smaller and weaker siblings. Rapprochement with India is clearly central to China's goals in promoting a South Asian stability better able to resist Soviet influence. The key relationship within South Asia is that between India and Pakistan, and Sino-Indian rapprochement could improve chances for better Indo-Pakistan relations. But it could also leave Pakistan uneasy about the reliability of China as a friend.

The Chinese interest in rapprochement with India relates to its own domestic concerns, especially with regard to ethnic unrest in Tibet and, more critically in the context of Islamic resurgence and the Sino-Soviet dispute, Xinjiang. The Chinese would like to see the borders settled and the border areas secure. This also bears on long time Chinese concerns that India is meddling in Tibet and supporting dissidents. More positively, the Chinese hope that improved relations with India might be a conducive factor in the return of the Dalai Lama to Tibet.

China talks of Sino-Indian friendship as involving the two largest Asian nations and sees in this potentially enhanced leverage in the North-South dialogue. China has not joined the Non-Aligned Movement, but it has increasingly brought its policies into accord with NAM, and there is little question that China is again seeking to assert its leadership among the non-aligned nations. Rapprochement with India, in settling their long-standing dispute, would enhance China's position--although in the long run, China's more active role among the non-aligned nations will involve competition with India for influence.

China seeks expanded trade and cultural exchange with India, but neither are likely to reach great levels. Border trade is important for those involved, but hardly represents a significant portion of each nation's international trade. While trade has increased between India and China, so has competition for foreign markets, as already seen in textiles, tea, and small machine goods.

It is sometimes suggested that rapprochement would enable each nation to reallocate resources from military to civil/development or, alternatively, to redeploy military forces. Given broader security concerns, it is unlikely that Sino-Indian rapprochement would substantially affect the military budgets of either nation. Both are engaged in programs of military modernization that are the product of a more general concern for defense capability as well as specific threat perceptions related to but distinct from the Sino-Indian relationship--the Soviet Union for China, Pakistan for India.

Any major redeployment of forces as a result of Sino-Indian rapprochement is similarly unlikely. The nature of the Indian terrain on the northern border is such that rapid redeployment of forces from the plains to the border

in an emergency would be difficult--although new roads in the Himalayas give India far easier access today than in 1962. Armed forces are thus likely to be maintained at approximately present levels, although rapprochement might enable a pullback from more isolated posts. Chinese military deployment would probably be unaffected by rapprochement, as it is as much concerned with domestic security, and the border provides a useful justification for concentrations of military in ethnically volatile areas.

India, like China, has come to see regional stability as essential to minimize the opportunity for superpower intervention and confrontation in South Asia. Rapprochement with China would reduce the likelihood of Chinese support for India's neighbors in their bilateral disputes with India. Pakistan, for example, might be more amenable to accepting the line of control in Kashmir as the *de jure* boundary. While Sino-Indian rapprochement might provide added incentive for Pakistan to come to terms with India, it might also leave Pakistan feeling less secure and perhaps more inclined to reach accommodation with the U.S.S.R.

India could expect in rapprochement non-interference by China in Indian domestic affairs. In the late 1970s, as the normalization process began, the Chinese ceased support for tribal insurgents in India's Northeast. Despite continued reports in the Soviet press that the Chinese remain active in arming and training tribals, New Delhi has accepted Beijing's assurances and has found no evidence to suggest Chinese involvement. Given the sensitivity of the region, there is an important gain for India in a rapprochement that would assure Chinese non-interference.

Normalized relations with China would give to India greater diplomatic flexibility, reduce Indian dependence upon the Soviet Union, and--so long as there remains an element of uncertainty--increases New Delhi's leverage with

Moscow. The movement toward rapprochement has clearly worried the Soviets and has brought Indian assurances that improved relations with China will not come at the expense of the Soviet Union.

Another interest India has in improved relations with China is its contribution to Asian "solidarity." If India can reach a settlement with China, the position of the Third World in the North-South dialogue may be strengthened and India's image and role within the Non-Aligned Movement enhanced.

But if there are interests for both China and India in normalizing relations, there are also countervailing factors that are likely to impede any rapid movement forward. India remains suspicious of Chinese aims and intentions--support of Pakistan; aid to insurgents in India's Northeast; interests in the border states of Nepal and Bhutan; and perceived hegemonic ambition in Southeast Asia. Indians frequently describe the Chinese as "inscrutable"--the perception like the term itself, no doubt, a legacy of the British--and recall the Chinese "betrayal" in 1962 as proof that the Chinese cannot be trusted. Many Indians view China's current "moderate" foreign policy as a tactical phase in a long-range strategy that seeks a weakened India and Chinese domination in Asia.

India does not view China as an imminent threat, but the potential for conflict remains. Indians continue to express fear of active Chinese military support (augmented now by the Karakoram highway) for Pakistan in the event of another war, or possible nuclear blackmail by China to either shield Pakistan from wartime invasion or to "guarantee" a Pakistani thrust to seize the whole of Kashmir. Given Chinese interests in South Asia and the experience of the 1965 and 1971 Indo-Pakistan wars, neither is a likely prospect. Indians say, however, that it is not a matter of intentions alone, but of Chinese

capabilities. India's conventional military capability is today the match of China and probably superior. But it is not so much China alone as the prospect of a Sino-Pakistan combination, with possible support of the United States, that worries India. Nuclear uncertainty, compounded by reports that the Chinese have provided technical assistance to Pakistan's nuclear project, deepens that concern. The Chinese nuclear force may not now pose a major threat to Indian security, but Indian defense analysts are apprehensive about an expanded and modernized Chinese nuclear capability that will bring more of India within target. Of special concern is the long-range prospect of Chinese submarines, armed with nuclear warheads, in the Indian Ocean. While such a force may be designed to give China second strike nuclear capability against the Soviet Union; it would also give China a presence in the Indian Ocean with which it might seek to extend its influence in the littoral states. Basing facilities will be necessary to support any permanent presence, and in the northwest sector, Pakistan might offer its ports to the Chinese.

Chinese capabilities and uncertain intentions mean that, even as India pursues normalized relations with China, New Delhi will continue to look to the Soviet Union to provide a strategic counterweight to China. For this reason, as well as to maximize its leverage with Moscow, India is unlikely to rush toward a final settlement of its differences with China. Indeed, for India and probably for China as well, the process of normalization rather than rapprochement itself may pay the greatest dividends.

Within the context of triangular relations, the tentative movement toward Sino-Soviet detente is being watched closely in New Delhi. Publicly, Indian officials express no apprehension at such a prospect, and some suggest that relaxed tensions between China and the Soviet Union would contribute to world peace and to stability in Asia. Privately, many express unease. No one

expects Sino-Soviet detente to involve restoration of close friendship and solidarity. What seems most likely if Sino-Soviet detente is to go forward is an attempt by Beijing to improve relations with Moscow to balance ties with Washington, achieving a kind of equidistance between the superpowers designed to increase Chinese leverage with each and at the same time advance Chinese influence and leadership among the non-aligned nations.

The implications for India would be far-reaching, with both advantages and disadvantages. On the positive side, Sino-Soviet detente would be conducive to further improvement in Sino-Indian relations and a settlement of outstanding differences, including the border dispute. It might also give impetus to rapprochement between India and Pakistan and to greater regional cooperation under Indian leadership. On the negative side, as China's stature grows, Indian leadership and influence in the Third World may decline. Sino-Soviet detente might also bring a decline in the importance of India to the Soviet Union--and, indeed, of South Asia to the course of world politics. A possible Soviet accord with Pakistan, perhaps as part of a settlement on Afghanistan, might reinforce Islamabad's intransigence on Kashmir in refusing to accept the status quo division along the line of control. In strategic terms, rather than promoting improved Indo-Pakistan relations, a Soviet-Pakistan accord in the context of Sino-Soviet detente could imbue India with a sense of isolation and encirclement. India, no longer confident that it could rely on the Soviet security shield, might feel compelled to take its option for nuclear weapons. Thus, in what might have been a more secure strategic environment as a result of Sino-Soviet detente, India's acquisition of "the bomb" would impel Pakistan to follow suit, heightening regional tension and the danger of further nuclear proliferation if not of nuclear war itself.

Over the last five years and even more markedly in the past two years, there has been a shift in Indian public opinion on China. It is reflected in newspapers, in intellectual circles, and, more cautiously, among government officials. It is expressed in support for Sino-Indian rapprochement and a settlement of the border dispute. Especially noteworthy has been the appearance of newspaper articles exploring the bases for compromise in the border dispute, where only a few years ago, any suggestion that India should yield even an inch of its territorial claims was tantamount to treason. Indian public opinion today is receptive to a settlement on the border so long as it is fundamentally a vindication of India's position.

Initially, the Chinese suggested that the border dispute be set aside for future negotiation and that India and China work toward rapprochement in more tractable areas of trade and cultural exchange. India held that full normalization depended upon a resolution of the border dispute and that any discussions toward improvement of relations had to include the border question. The Chinese agreed to open talks on the border, and the Indians agreed to pursue, concurrently, normalization of relations in other areas.

The Chinese feel no urgency to reach a border solution. Any settlement acceptable to India would require China to give up at least a portion of the territory now under its control in Ladakh. The Chinese government may also feel constrained in how far it can go in a negotiated settlement. The Army, particularly, might choose to use a Chinese withdrawal from territories now held as a vehicle for attack against those in power in Beijing. But if China's strategic position in the Aksai Chin is protected, a border settlement would serve China's larger interests at minimal cost.

The Chinese have proposed to settle the border dispute on the basis of a "package deal," in effect, reiterating Zhou En-lai's 1960 proposal of a quid pro quo --Indian acceptance of the Chinese occupation of the Aksai Chin for Chinese recognition of India's claims in the eastern sector on the basis of the McMahon Line. For India, any legitimation of the status quo is unacceptable. India wants the border negotiations to proceed on a sector-by-sector basis, assuming India's rightful claims in the eastern sector and focusing negotiation on the western sector, where the Chinese occupy 14,500 square miles of territory claimed by India. From the Chinese perspective, this is simply a ploy: What is mine is mine; what is yours is negotiable. The Chinese have not relinquished their claim to the area south of the McMahon Line in the northeast, as its protest in December 1982 over the Arunachal Pradesh dancers at the Asian Games served to remind India.

While the Indians and Chinese negotiating teams prepare for another round of talks, the basis for a settlement is already there. Perhaps all but the most intransigent Indians recognize the strategic importance of the Aksai Chin to China, while the region is of no real value to India save to deny China its vital link between Xinjiang and Tibet. Unlike the crest of the Himalayas to the east, there is no one watershed in Ladakh by which the boundary can be defined indisputably. A pullback by the Chinese from the area beyond the Aksai Chin occupied in 1962 to that held in 1958 or, perhaps, to that held in 1954, at the time of the signing of the "Panchsheel" treaty, could be matched with the selection of the crest of one of the inner ranges as the basis for border demarcation. The Chinese would retain the Aksai Chin, while territories of Ladakh seized by China in 1962 would be returned to India.

A border settlement will require at least three other elements: first, adjustments in the central sector, agreed by most analysts to be relatively

easy; second, Chinese recognition of the McMahon Line or, if not by that name (an imperial residue), the crest of the Himalayas which it follows in the eastern sector; and third, Chinese acceptance of Sikkim as a part of India. An additional complicating factor in a Sino-Indian border settlement is the unresolved Kashmir dispute between India and Pakistan. At a minimum, India would expect Chinese neutrality on the question, but the issue is complicated by the 1963 border agreement between Pakistan and China. Because it involves disputed Kashmir territory, India has never accepted Pakistan's legal right to settle the boundary. In a Sino-Indian border agreement, this can be set aside pending final resolution of the status of Kashmir, so long as Chinese neutrality in the dispute is guaranteed.

There is today an increasing willingness in India to reach a compromise along the lines suggested above. Details vary, but many Indians--journalists, academics, politicians, and officials--offer similar scenarios for a border settlement. There is a recognition that China will never give up the strategically vital Aksai Chin, that the region in any case lacks a defined boundary, and that India has much to gain in resolving the dispute. Although the military might be expected to oppose any compromise which would confirm Chinese control of the Aksai Chin, their honor--and that of Nehru--would be redeemed by a negotiated settlement that returned to India those territories taken in war and, at the same time, conferred legitimacy on the watershed principle by which India seeks boundary definition in the Himalayas. In India, the opposition political parties are divided, both between and within the parties, on the China question. The Communist Party (Marxist) supports rapprochement and a border settlement; the Moscow-affiliated Communist Party of India (CPI) is opposed. Within the Janata Party, Madhu Lamaye, regarded as

pro-Soviet, warns of China's perfidy, while Subramaniam Swamy is India's leading advocate of improved relations with China. Within the Bharatiya Janata Party, Atal Bihari Vajpayee, who served as Minister of External Affairs under the Janata Government, supports efforts to reach a border settlement, while his Hindu nationalist colleagues in the RSS are generally critical. And H. N. Bahuguna, leader of the Democratic Socialist Party, would likely see anything less than complete Chinese withdrawal from the Aksai Chin as a sacrilege to Nehru's memory.

The Congress party is similarly divided, but even those favorable to a compromise with China on the border remain uneasy as to whether a solution is yet politically acceptable. Advisers close to Mrs. Gandhi remain distrustful of Chinese intentions and wary of the political consequences of a border settlement. Any settlement confirming Chinese occupation of the Aksai Chin would be vulnerable to attack by elements of the opposition--the CPI, the pro-Soviet lobby (Madhu Lamaye, H. N. Bahuguna, etc.) and the extreme right. And many in the opposition who otherwise favor a settlement might find it politically expedient to attack a compromise--and Mrs. Gandhi--for not getting a better deal for India.

While a border solution could surely be proclaimed as a victory for India, there are inevitably those who would attack it as a "sell out." It is very unlikely that Mrs. Gandhi would take the political risk in the period preceding the next parliamentary elections, scheduled to be held by January 1985. If a non-Congress coalition comes to power, the division on the China question and the vulnerability of the Government to defection will make a settlement on the border dispute very unlikely. The prospect would more likely be for continued discussions with China, relaxed tensions, but no

breakthrough. If Mrs. Gandhi returns to power with a secure parliamentary majority, she would be in a strong position to accept a negotiated settlement on the border. There is good reason for doing so, once the Indian political climate is favorable, for the longer the Chinese retain control over the area now under their occupation, the less likely they are to relinquish any portion of it. Moreover, the Chinese are now more receptive to a negotiated settlement than they have been before and the time may now be ripe--as it may never be again--for India to secure a return of the territory in Ladakh seized during the 1962 border war, a demarcation of the border in the middle sector, Chinese recognition of Sikkim as a part of India, and, in the eastern border sector, Chinese acceptance of the McMahon Line as the de jure boundary. This would be a significant achievement for India and it is within reach over the next five years.

A resolution of outstanding differences between India and China, however, will still leave the world's two most populous nations as rivals for influence in the Third World and as competitors for international markets and for access to concessionary loans. This rivalry is likely to grow in the next five years.

OTHER BILATERAL RELATIONS

Over the past six years, beginning with the Janata Government and continuing under Indira Gandhi, India has pursued closer and more active relations with Southeast Asia, Japan, Saudi Arabia and the Gulf States, and with Western Europe.

Southeast Asia

Despite geographic proximity and cultural ties, India has not accorded Southeast Asia high priority in its foreign relations. Its principal goal is

to minimize the presence and influence of external powers in the region. Since 1975, this concern has focused on China, and India's support for Hanoi, including its ill-calculated recognition of the Heng Samrin regime in Kampuchea, is, in part, an effort to strengthen Vietnam as a counterweight to Chinese influence in Southeast Asia.

The growing economic and political power of the ASEAN states provided the incentive for India to seek closer relations with the region, and the new Janata Government in 1977 initiated a flurry of diplomatic activity. A link to ASEAN would balance New Delhi's ties with Vietnam, thus refurbishing India's non-aligned image and, at the same time, perhaps enabling India to assume the role of intermediary in an accommodation between Vietnam and ASEAN. In bilateral relations with the ASEAN states, India signed agreements on trade, culture, and maritime boundaries, and the level of Indian economic activity in Southeast Asia--particularly in Malaysia and Singapore--expanded rapidly. India's efforts to associate itself with ASEAN as an "observer" at the meeting of the regional organization, however, soon foundered with Mrs. Gandhi's return to power on the issue of Kampuchea.¹⁰

India's recognition of the Heng Samrin regime set back India-ASEAN relations and particularly irritated Indonesia and Malaysia, whose own efforts to reach a settlement on Kampuchea were undermined by the Indian action. Mrs. Gandhi had returned to power in January 1980 on a platform that included recognition of Heng Samrin, but it was another six months before India moved. There is considerable speculation as to the timing, for it was hardly to India's benefit. It aborted India's long-sought attendance at the ASEAN foreign ministers meeting; it strained relations with China, coming as it did just after the announced visit of the Chinese foreign minister to India; and, following so soon after the Vietnamese incursion into Thailand, it could

hardly have angered the ASEAN states more. It resulted in a hardening of positions by both ASEAN and Vietnam, and China, rather than being checked in its influence, probably gained greater leverage in the region. India surely underestimated the ASEAN reaction and also the degree to which--coupled with India's position on the Soviet invasion of Afghanistan--the recognition of Heng Samrin compromised India's non-aligned position.

There are a number of contending theories as to the timing, but for all the speculation on the recognition of Heng Samrin, very few Indians--even those least sympathetic to Mrs. Gandhi--believe that the decision was made in response to Soviet pressure. It was a decision, however ill-considered or ill-timed, that was taken in judgment of India's interests. It was taken in the belief that acceptance of the Heng Samrin regime and an end to external support for Pol Pot will enable Vietnam to withdraw its troops from beleaguered Kampuchea. India believes that international isolation has forced Vietnam into a dependence upon the Soviet Union with which Hanoi feels great discomfort: To break that isolation will enable Vietnam to assert its independence from Moscow. Finally, India believes that a strong Vietnam is essential to prevent the expansion of Chinese influence in Southeast Asia.

In the fall, 1981, India reached out again to ASEAN, with visits by Indira Gandhi to Jakarta and Manila, by Foreign Minister Narasimha Rao to Kuala Lumpur, and by President Sanjiva Reddy to Jakarta. But for all the talk of cooperation, there is little prospect for a basic change in India's relations with Southeast Asia over the next five years. India can be expected to continue support for Vietnam as the counterweight to China and, through the Non-Aligned Movement and other international forums in the North-South dialogue, to seek cooperation with ASEAN. India has not pressed the issue of Kampuchea in the United Nations, and in the 1983 Non-Aligned Conference, India

succeeded in defusing the question of Kampuchea's representation by keeping the seat open. As chair of the Non-Aligned Movement for the next three years, Mrs. Gandhi faces the enormous task of holding the disparate association together, and in emphasizing South-South cooperation, contentious issues, such as Kampuchea, are likely to be shelved. And India is not likely to take the initiative at this point in seeking to mediate a settlement on Kampuchea. Time is probably on New Delhi's side, as the Heng Samrin regime is consolidated and the claims of Pol Pot (or Sihanouk) further lose credibility.

While India has been unable to find political accommodation with ASEAN, it has pursued closer economic ties. Over the past decade, trade and joint ventures have grown rapidly. About a third of India's joint ventures abroad are in the ASEAN states, led by Malaysia, but results are mixed and prospects limited. Nearly a third of the joint ventures in Malaysia, for example, have failed--largely as a result of small and inexperienced Indian companies rushing in for quick profits. Ventures involving India's big industrial houses have had considerably more success, but the high expectations of even two years ago for joint ventures with ASEAN have been moderated. India also faces a severe trade deficit with Southeast Asia. Over the past five years, imports from ASEAN have far outpaced Indian export growth. The next five years will involve increasing efforts to bring trade into greater balance, with increased Indian exports--heavy machinery, for example--and a likely cutback of imports from ASEAN.

Japan

For more than three decades, India's relations with Japan have been minimal, but New Delhi is now making a concerted effort to forge links with Asia's economic giant. Mrs. Gandhi stopped in Tokyo on an unofficial one-day visit on her return from the United States to India in July 1982--her first

visit to Japan in 13 years--and Prime Minister Nakasone has accepted an invitation to visit New Delhi. In May 1982, Indian Finance Minister Pranab Mukherjee visited Japan, ending his stay with the pronouncement that "India will increasingly look to Japan for technology in the future." And it is India's search for technology that is Japan's principal draw.

Indo-Japanese trade is at a very low level, with imports from India accounting for less than 1 percent of Japan's total imports. The two-way trade in 1981 totaled only \$2 billion, but this is targeted to reach \$5 billion by 1986. India's more liberal economic policy eases restrictions on both imports and investment, and the Japanese are showing interest in expanded trade and in joint ventures in India and with Indian firms in third countries. Japan is also increasing loans and grant aid to India.

There are now some 400 Japanese industrial projects in India. The major collaboration involves the Suzuki Motor Company, with 40 percent equity, in the Indian public sector Maruti Udyog for the production of 100,000 vehicles a year--the realization of Sanjay Gandhi's ill-fated efforts to manufacture a small car. Nissan has also signed on for a joint venture with an Indian private firm to produce small trucks. And India looks to Japanese technology for its infant micro-electronic industry.

Beyond access to technology, India sees in Japan potential support in the North-South dialogue. At the May 1983 economic summit at Williamsburg, Nakasone stated that "there can be no prosperity of the North without the prosperity of the South," to which New Delhi responded with encouragement for a more active Japanese role in the development efforts of the Third World.

Western Europe

Aside from its historical tie with Great Britain, India has not had especially close or extensive relations with other nations of Western Europe.

That is rapidly changing. India looks to Europe--particularly Britain, France, and West Germany--and to the European Economic Community for expanded markets for Indian exports, for loans (and support in multilateral lending agencies), for investment in joint ventures in India and in third countries, and for access to high technology. India also sees in Europe, especially France, an important source of support in the North-South dialogue. Moreover, India looks to Europe in its efforts to gain greater diplomatic flexibility and to diversify its sources of arms. All of these factors portend an increasing importance for Europe in India's international relations.

Although the developing nations, collectively, are the European Economic Community's major trading partner in both imports and exports, India's share of the community's external market is less than 1 percent. India is making a concerted effort to enlarge and diversify that share, but given intense competition and EEC protectionism, trade is not likely to expand significantly. Joint ventures, however, may be more promising, and greater collaboration may be facilitated by the 1981 Indo-EEC agreement on commercial and economic cooperation and the Indo-EEC Joint Commission formed in 1982. Under its liberalized industrial policy, India seeks foreign investment as a source of capital and as a means of acquiring modern technology. New Delhi regards Western Europe as its most promising source of high technology. Even when India might prefer U.S. technology, the opportunity costs in approval and licensing procedures, delay, and uncertainty, together with restrictions, increasingly lead India to look to Europe.

India also looks to Europe as a source of credit and for support in its access to concessional loans through the World Bank, the IMF, and other multilateral lending agencies. As U.S. policy is to graduate India to hard loan windows and to commercial banks, India views European support as critical

in sustaining its development efforts during a period of probable foreign exchange pressure over the next five years. France, for example, played a major role in securing the \$5.7 billion IMF loan for India in the face of U.S. opposition.

Western Europe (and France most prominently) is also positioned to play an important role in the North-South dialogue for a new international economic order. Mitterrand spelled out the French position in terms of self-interest: "I regard solidarity for development with the whole of the Third World as the key to our common future and a necessity for us. Helping the Third World, we help ourselves to overcome the crisis."

In all of this, the "French connection" has become increasingly important. In 1981, France targeted three nations of the developing world for special attention: Algeria, Mexico, and India. Even before Mitterrand, however, France had begun to pay increasing attention to India, as evidenced by President Giscard d'Estaing's visit to India in January 1980. For India, France is especially attractive for its high technology, its eagerness to do business, and its political independence of the superpowers. In a November 25, 1982 interview for Le Matin (Paris), Indira Gandhi stated, "We readily welcome French assistance particularly since, unlike other countries, no political strings are attached to it and we are fairly sure that we will not be let down over spare part supplies should the need arise."

The French economic presence in India is still relatively small. India accounts for only 0.4 percent of France's total foreign trade, and in investment in India, France is far behind Britain and West Germany. But investment and French technological assistance is rapidly expanding. Out of the 1980 Giscard visit, the French are building one of the world's largest aluminum plants in Orissa and arranged financing through a \$680 million

Eurodollar loan. And India is seeking French assistance in telecommunications, oil exploration, coal extraction, nuclear power generation, and helicopter and missile production.

In modernizing its armed forces, India has turned to Western European suppliers both in a conscious effort to enhance its independence and flexibility through diversification of arms sources and, most critically, in the search for advanced weapons technology. Beginning in 1979, India has made a series of major arms purchases from Europe: the Anglo-French Jaguar, the British Sea Harrier, the French Mirage 2000, new generation Exocet and Mantra missiles from France, and the Germany SSK-1500 submarine. In July 1983, virtually coinciding with Indian Defence Minister Venkataraman's visit to Moscow, India signed an agreement for the purchase of 20 Sea King anti-submarine helicopters and the latest generation of Sea Eagle missiles from Britain.

France has become India's second largest arms supplier (after the Soviet Union), and the purchase of the Mirage 2000 is a downpayment on future access to French military technology. Europe (and perhaps France most readily) is prepared to meet India's terms, as the United States is not. In shopping for arms, India seeks the transfer of technology. Its conditions have typically involved three stages for the acquisition of weapons: first, delivery of a specified number of weapons; second, co-production in India; and third, transfer of the technology.

India's European arms purchases have a two-pronged political dimension. First, by turning to Europe for arms, India is able to reduce its dependence upon the Soviet Union, widen its options, and gain greater leverage in Moscow. The Soviets are clearly concerned, but not so alarmed as they would be if India were acquiring American arms. Second, through its arms purchases, India

is forging a link with Western Europe which may pay political dividends in enhanced Indian prestige and influence through European support on North-South economic issues and, associated with the Non-Aligned Movement, on global issues of East-West conflict.

INDIA IN INTERNATIONAL FORUMS

India was one of the founding members of the United Nations, and in its foreign policy, has given great importance to international forums as a platform for the articulation and advancement of its national interests. In March 1983, Indira Gandhi took the chair of the Non-Aligned Movement for a three-year tenure. In doing so, India sought to set a more moderate tone and to bring the movement back on course after its loss of credibility under Castro's leadership, with its projection of the Soviet Union as the "natural ally" of the developing world. Yet the sober economic resolution calling for North-South cooperation was paired with a pointedly anti-American political resolution, hardly calculated to warm the industrial nations to the NAM economic appeal. India apparently wanted the West to read the two resolutions separately and to discount the political resolution as an expediency to which India yielded for the higher purposes of the movement's unity.

The irritation the United States no doubt felt at the final product, however, does not diminish the power represented by the Non-Aligned Movement, divided though it may be. With 101 member nations and the outside support of China, it represents more than three-quarters of the world's population. Under India's leadership, it is likely to pursue a pragmatic and well-orchestrated effort for a negotiated new international economic order: increased aid by the industrial nations to the developing world; increased World Bank resources and lending programs; increased quotas and resources for

the IMF and less stringent conditions for making funds available to developing nations; easier access for developing country exports to the markets of the industrial world; action to relieve the burden of unmanageable debts among developing countries; and a new, more equitable international monetary system.

From its position as chair of the Non-Aligned Movement, India in the coming three years can be expected to play a prominent role in the international forum--evidenced by Mrs. Gandhi's appearance before the United Nations General Assembly in September 1983. Within a somewhat more limited arena, India's prestige was also enhanced in hosting, for the first time, the Commonwealth Conference in November 1983. In such international gatherings, India is likely to give primary emphasis to economic issues, avoiding or downplaying the political conflicts that divide the developing nations among themselves and link into superpower rivalries. On the economic issues, India will likely eschew strident rhetoric and call instead for cooperation through negotiation. In the political arena, India will seek to maintain an image of "genuine non-alignment," balancing its traditional friendship with the Soviet Union with a continuing if sometimes fitful dialogue with the United States.

India's future role in the Non-Aligned Movement and in the various arenas of the North-South dialogue must be viewed with a certain caution. Many Indians are skeptical of the utility of the Non-Aligned Movement. It may provide a platform for rhetoric, but that in itself may be counterproductive, and whether the NAM can be effective in seeking constructive solutions to world crises--either East-West, North-South, or South-South--is yet to be seen. In the context of the North-South dialogue, India's position as a relatively advanced industrial nation ties many of its interests more to the "North" than

to the lesser developed nations of the "South." This accounts, in part, for India's moderation on international economic issues, but it also exposes the potential contradictions likely to emerge among the politically and economically disparate nations of the Third World.

INDIA AND THE UNITED STATES

Relations between Indian and the United States have been broadly characterized by strain, punctuated by periods of friendship and cooperation. Difficulties have been less the product of bilateral conflicts than of problems arising out of differing perceptions of the strategic environment of South Asia. The United States has taken a "global" view, shaped fundamentally by the East-West conflict with the Soviet Union. India's view is regional, and New Delhi seeks to insulate the subcontinent from superpower conflict. Viewing South Asia as a strategic entity, its borders constituting India's defense perimeter, India seeks to exclude foreign powers and to secure its own preeminence in the region.

It has been an assumption of American foreign policy that the U.S. has no vital strategic interests in South Asia as such. American involvement in the region has been episodic and derivative of other interests--notably containment of the Soviet Union and, earlier, of China and, more prominently over the past decade, protection of the vital petroleum resources of the Gulf and their access through the sea lanes of the Indian Ocean. In pursuit of these interests, the United States established an erratic strategic tie with Pakistan that, from its inception, affected the nature and course of the Indo-U.S. relations. Thus, in the 1950s, the U.S. viewed Pakistan as the eastern flank of the "northern tier" and as a critical link in the chain of alliances forged to contain communist expansion in the Middle East and Southeast Asia. In Pakistan's perception, however, it was not the U.S.S.R.

but India that posed a threat to its security, and American support was Pakistan's means to attain military parity with its more powerful neighbor. With little sensitivity to the impact of American actions on regional stability, the U.S. contributed to deepened Indo-Pakistani enmity and spurred India to seek closer ties with the Soviet Union. For some Washington officials then, as later in the wake of the Soviet invasion of Afghanistan in December 1979, India simply did not count. In their judgment, there was not much that India could do either for or to the United States.

While opposing great power interference in South Asia, India has a perhaps greater antipathy to indifference. Nothing has been so galling to India than the perception of some American officials that India--the world's second most populous nation, a civilization of great cultural richness, and a leader among the non-aligned nations--can be relegated to "benign neglect." India aspires to recognition as a power that matters. That China should be so recognized and India not is especially galling and was surely a factor in India's decision to demonstrate nuclear capability in its 1974 test. Perhaps one reason that Indians have so often portrayed the U.S. as actively opposing India's interests--that the U.S. seeks to "contain" India and restrict its independence, that it strives to weaken and destabilize India--is that this may be easier to accept and deal with than being ignored.

But India does matter and in the coming years is likely to assume increasing importance in the world arena. Its size and growing economic power, its military strength and diplomatic leadership destine India to middle power status comparable with that of China. Within South Asia, India is the keystone of stability. A strong, stable, secure, and independent India is absolutely essential to the peace and stability of South Asia as a whole. If

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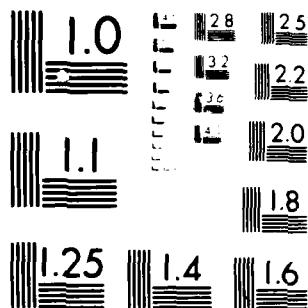
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the United States has one foremost interest in the region, it is in India's political stability and national integrity.

If the expansion of Soviet influence in South Asia is to be contained, it will not be by Pakistan alone, armed with the latest in American weapons, but by regional cooperation with India as its centerpiece. India is the strongest and politically the most stable state in South Asia. Indian weakness and instability would affect the whole of South Asia, opening the region to external interference and potential armed conflict. China might seek to extend its influence in Nepal, Bhutan, and Bangladesh, to again support tribal insurgency in India's Northeast, and to assert militarily its claims south of the McMahon Line. The Soviets would no doubt seek to draw India into a web of dependency and might seize the opportunity to exert greater pressure on Pakistan, perhaps fomenting ethnic unrest and creating a Soviet client state in Baluchistan.

Pakistan may be a "frontline state" as it now faces Soviet-occupied Afghanistan, but Pakistan's security depends upon India. Pakistan on its own would be unable to resist Soviet aggression, and the added strength of the American Rapid Deployment Force would hardly match Soviet logistical advantage and conventional military power. Any attempt by the United States to meet Soviet superiority in such a situation through the use of tactical nuclear weapons is most unlikely, as it would almost inevitably extend the conflict beyond the region. The most credible deterrent to Soviet military action against Pakistan is Indo-Pakistani detente and a common commitment to regional security. A direct move by the Soviets against Pakistan is not an imminent threat, but Soviet subversion of Pakistan national unity--support for Baluch, Pathan, and Sindi separatism--is a potential danger, although there is no evidence today of such Soviet activity. Here again India's role is critical.

A united and secure Pakistan is in India's interest. The breakup of Pakistan would open the region to foreign intervention--the extension of Soviet influence, if not control, in Baluchistan and Chinese penetration via the Karakoram Highway into the Gilgit Agency of Kashmir. The danger of great power confrontation in Southwest Asia would be heightened and India's own security would be threatened. And the breakup of Pakistan would also carry the danger that the contagion of separatism would spread to India. The clearest message to the Soviets not to interfere in Pakistan would again be Indo-Pakistani detente.

United States support for Pakistan remains today the most serious source of tension between New Delhi and Washington. India wants a secure Pakistan and recognizes the need for modernizing Pakistan's armed forces, but India is apprehensive about enhanced Pakistani military capability insofar as it exceeds what New Delhi judges to be Pakistan's legitimate defense requirements and, most critically, as it is linked with an external power. Many Indians are convinced that as a quid pro quo for the F-16, the United States sought basing facilities in Pakistan. Any extension of bases by Pakistan to the United States--naval facilities at Gwadar, air bases, surveillance operations, or the prepositioning of arms and supplies for the Rapid Deployment Force--would seriously affect U.S.-Indian relations and would exacerbate tension between India and Pakistan.

India would not likely compromise its non-aligned status by extending comparable basing facilities to the Soviet Union, but it would probably lean heavily on Pakistan, perhaps with aid and encouragement to Pakistan's political opposition. The opposition, especially in Sind, would likely oppose a U.S. military presence as reinforcing military rule and Punjabi domination, and insofar as the U.S. is identified with the military regime, a change of

government will entail a loss of whatever basing facilities the U.S. was able to secure and a cooling of U.S.-Pakistan relations.

India will regard any substantial increase in the quantity or quality of U.S. arms to Pakistan as a threat to its own security and as destabilizing to the region. Of particular concern is the introduction of military technology beyond the level already within the region. India has the will and resources to maintain the current ratio of arms superiority, but the increased sophistication of Pakistan's weapons may also bring India closer to taking the nuclear weapons option. Without giving a "veto" to New Delhi, American consultation with India (and Pakistan) regarding all arms transfers to the subcontinent might assuage Indian fears and, at the same time, promote a greater degree of trust between India and Pakistan. The deterioration of Indo-U.S. relations that followed the 1980 offer of U.S. military assistance to Pakistan was at least in part the product of Washington's failure to consult New Delhi.

South Asia is widely regarded as the most likely region in the world for nuclear proliferation. India has demonstrated capability but has chosen not to take the option to develop and deploy nuclear weapons. Pakistan is, by all indications, engaged in a clandestine nuclear program directed toward the development of a weapons capability. Pakistan's apparent determination to push forward underscores the limits of American leverage. The F-16 delivery schedule may postpone a Pakistani nuclear test (although Pakistan is probably not as far along in its program as once believed), and Pakistan will remain vulnerable to the cutoff of American military spare parts--perhaps a sufficient contingency to foreclose actual testing altogether so long as India does not move beyond its present nuclear status. Upgraded Pakistani conventional military capability, as it provides a greater sense of security,

may reduce the incentive to go nuclear, but the increased sophistication of Pakistan's armed forces may itself propel India toward nuclear weapons so as to maintain undisputed military superiority.

America's response to the challenge of nuclear proliferation in South Asia must address the insecurities of both Pakistan and India that make nuclear weapons so tempting. The U.S. response must be to preclude proliferation so far as possible by reducing its attraction. Sanctions after the fact will have little effect save to reduce further what leverage we do have. It is in Indo-Pakistani detente that the dangers of proliferation are most likely to be reduced, and American interests here, just as in limiting the expansion of Soviet influence in South Asia, are best served by promoting rapprochement between India and Pakistan--even when it will likely involve a reduced American presence in the region.

Within the larger strategic environment of the Indian Ocean, the United States and India share the ultimate goals of ensuring open sea lanes and access to Gulf oil, the independence of the littoral states and their freedom from external interference, and the avoidance of great power confrontation. The U.S. and India, however, take very different approaches that are likely to bring the two nations into periodic conflict in the coming years. Given the geographic proximity of the Soviet Union to the Indian Ocean region, its presence in Afghanistan and the Horn of Africa, and its buildup of naval forces, the United States seeks to maintain a balance of power. India, joined by most of the littoral states, seeks a "zone of peace" free from the presence of external military powers. But clearly, if the U.S. were unilaterally to reduce its forces in the Indian Ocean, the states of the region would be more vulnerable to Soviet pressure. The U.S. and the U.S.S.R. each have vital strategic interests in the Indian Ocean and are unlikely to forego any

presence in the region--and, in any case, the Soviet Union by virtue of its geographic position is a permanent presence. While a balanced superpower presence in the Indian Ocean may give the littoral states, including India, more room for maneuver than the predominance of either the U.S. or U.S.S.R., the instability of the nations of the region invite potential confrontation as the Americans and Soviets each may be tempted to intervene to either protect or advance their interests.

India, much to Soviet displeasure, has increasingly equated the U.S. and U.S.S.R. in its condemnation of the buildup of external military power in the Indian Ocean. Though no less concerned about Diego Garcia, American naval forces, or the potential for U.S. intervention (e.g., in destabilizing the Marxist Government in Maritius), India is likely to pursue a measured effort, with a moderate tone, to secure the reduction of forces by both the United States and the Soviet Union. This will likely be manifest in the continued projection of its own presence in the Indian Ocean region and by diplomatic efforts (as in Saudi Arabia in 1982) to marshal the littoral states against extending base facilities to external powers. The danger the Indian Ocean poses to Indo-U.S. relations arises out of the volatility of the region and the potential for American intervention in response to a threat to its perceived interests, particularly insofar as it involves Pakistan.

After a low in U.S.-Indian relations in 1980-1981, both India and the United States have sought to improve relations, to downplay differences of strategic perception and to accentuate the positive. Mrs. Gandhi's visit to Washington in 1982 was an important atmospheric breakthrough, providing a more optimistic prospect without unrealistic expectations. U.S.-Indian relations over the next five years are likely to be affected by the periodic strains of East-West and North-South conflict, but India has compelling interests in

keeping relations with the United States on a reasonably steady course and, if possible, in improving relations. The U.S. is a major market for Indian goods, a source of investment, technology, and aid, and India and the United States are being drawn closer together by the increasing number of Indians resident in this country.

Although trade with India is less than 1 percent of America's total foreign trade, the United States is India's second largest trading partner (after the Soviet Union), accounting for approximately 13 percent of India's exports and 12 percent of its imports (1980-81). Over the past five years, Indian exports to the U.S. have grown and diversified, with an increasingly large share devoted to such manufactured products as handtools, bicycles, castings, electronic components, etc. India's new push for export led growth draws India to seek an expanded American market, but while increased trade represents an important element in closer relations between India and the U.S., trade is a potential source of acrimony. U.S. quota restrictions and other trade barriers to cotton textiles, steel products, and industrial fasteners (nuts and bolts), for example, have drawn strong Indian protests, and the protectionist mood in the United States, as reflected in political rhetoric, could lead to the imposition of new restrictions. At a time when India is seeking to expand exports--in accordance with the advice of the IMF and the World Bank, as well as its own economists--restricted American markets would hardly reinforce India's more liberal economic policy nor would it heighten "the magic of the marketplace" extolled by President Reagan. Trade barriers against Indian goods would, moreover, probably draw India into closer trading ties with the Soviet Union.

India's imports from the U.S. have grown at an even faster rate than exports and have contributed to a widening trade deficit. There is already some pullback in imports, and increasing pressure on foreign exchange may bring more rigid controls. If India is unable to expand exports, it can be expected to impose new import restrictions, and there is already a demand to do so by some Indian businesses that see their protected markets threatened. The Government of India has resisted pressure to turn back economic liberalization, but the policy is itself limited and cautious. India has selectively relaxed import controls and eased the licensing process, but it has by no means thrown open its huge market--some 70 million middle class consumers--to international competition.

There are significant opportunities for increased American exports to India, and short of a new wave of protectionism, the two-way trade between India and the United States should continue to expand over the next five years. But beyond protectionism, the U.S. has thrown up another barrier that is an irritant in Indo-U.S. relations. Much of what India most wants from the United States is high technology. Approximately 70 percent of India's computer imports, for example, come from the U.S., but American security restrictions on the export of the most sophisticated technologies and the opportunity costs in license procedures have led India to turn increasingly to Western Europe and Japan for high technology. The long-term consequences may be to close out the United States from a growing market and to weaken an important link between the U.S. and India.

America's economic ties with India have perhaps greatest potential in investment through joint ventures. India's new economic policy seeks to attract foreign investment in targeted areas of high technology, energy-related fields, and production for export. The conditions for

collaboration--equity participation, taxation, return on investment, repatriation of profits, etc.--are attractive. But the "ghosts" of IBM and Coca Cola, which left India during the period of the Janata Government, continue to trouble potential American investors, and the image of India as the "permit raj," with bureaucratic delays and endless red tape, is difficult to counter, even as controls are relaxed and procedures streamlined. Efforts by government agencies of both the U.S. and India, by the Indo-U.S. Business Council, the Indo-American Chamber of Commerce, and the Overseas Private Investment Corporation (OPIC) are beginning to pay off with increased interest in joint ventures in India among American firms, especially among middle-sized enterprises. American investment in India now stands at some \$600 million, second after the British, but it is only 0.3 percent of the total U.S. foreign investment. Over the next five years, given India's favorable investment climate, the number of collaborations should increase, but there is little prospect for a massive inflow of capital.

India's principal goal at this point is technology transfer through joint ventures, but a continuing trade imbalance, a decline in foreign remittances, and reduced access to concessional loans may make the inflow of investment capital itself increasingly attractive. This would likely draw attack from the political opposition on both the left and right as a "sellout" to the multinationals,* but there is a very broad base of support in India for expanding foreign investment. Socialist ideology is on the wane, and rhetoric is often hollow. How the United States responds in terms of trade and

* That India is aiming its efforts to attract investment primarily at middle-sized firms has a significant political consequence. Because of their lower visibility, these companies are less likely to draw the notice of the political opposition, and because they are not great multinational corporations, they pose no threat of domination to the Indian economy.

investment will be an important determinant in whether India's new economic policy succeeds and can be sustained. While prospects for continued liberalization of the economy are probably most favorable under a Congress party Government, a non-Congress coalition, were one to come to power, would be unlikely to make a sharp reversal. One aspect of India's political stability, arising from its pluralism, has been an essential continuity of policy, both foreign and domestic. A possible change in Government with the next parliamentary elections, to be held before January 1985, would probably leave the basic thrust of current economic policy intact. In a world of interdependence, economic autarky is simply not a realistic option.

One of the major factors drawing India toward the United States, Western Europe, and Japan is access to credit. Direct aid has today been largely supplanted by loans, and the United States is the largest single contributor to the major multilateral lending agencies--the International Monetary Fund, the World Bank, and the Asian Development Bank. India has in the past been the largest recipient of concessional loans of the International Development Association (IDA), the World Bank's "soft loan" window, drawing some 40 percent of its funds yearly. At a time when the United States is reducing its contributions to IDA, China is coming in as a new member, its share of low-interest loans coming out of what otherwise might have gone to India. India's share of IDA funds has now been reduced to some 25 percent. India's call for increased contributions to IDA has gone unheeded during economic recession, although the Western European members have maintained the level of their commitments.

The squeeze on India, however, is also a matter of policy. The United States seeks to reserve concessional loans for the poorest developing countries and to graduate more advanced nations like India to the hard loan

windows of the World Bank and to the commercial banks. The commercial banks are pushing the policy, as they are eager to make loans to India--a nation with a low debt service ratio and a record of no defaults. New Delhi's response is that the U.S. is punishing India for its fiscal responsibility, its good credit rating, while rewarding the profligate with concessional loans.

Many people in India--and many who should know better--see U.S. policy as a deliberate attempt to weaken India and thwart its efforts to develop economically. Beyond the American position on IDA, they point to U.S. opposition to the \$5.7 billion IMF loan to India, U.S. opposition to India's application for a World Bank loan for oil exploration in the Krishna-Godavari basin, and reported U.S. efforts to deny India access to loans from the Asian Development Bank. In the case of the IMF loan, the U.S. believed that India's balance of payments problems did not justify so large an amount (the largest IMF loan ever granted) and that it was sought for development programs. On the World Bank loan, it was U.S. judgment that the project was sufficiently sound to sustain the higher interest loans of commercial banks. As for the Asian Development Bank, given the enormity of India's requirements, Indian access would squeeze out the smaller Southeast Asian nations for which the Fund was principally created. India received the IMF and World Bank loans, and U.S. opposition--however principled it may have been--was a gratuitous affront to India. The issue of the Asian Development Bank continues to rankle.

The U.S. policy to wean India from concessional loans has been ill-timed, for India is being forced into the commercial loan market at a time when loans may not be so readily available. In the wake of the crisis precipitated by the near default of debt-burdened nations in 1982, the banks are now skittish

and, with the IMF, are trying to stave off defaults with rescheduled interest payments and new loans. For its part, so as not to fall into the debt trap, India has become more selective in international loans. But by the mid-1980s, as India begins to repay the IMF loan, India's debt service ratio will rise rapidly, making access to concessional loans all the more critical. The United States can work with New Delhi in efforts to ensure India's continued access to a mixture of concessional and commercial loans, but if U.S. policies effectively deny India access to soft loan windows, Indo-U.S. relations are likely to be in for rough times.

For the past five years, from the passage of the 1978 Nuclear Nonproliferation Act, Indo-U.S. relations have been troubled by fundamental differences of interpretation in regard to the contractual obligations of the United States in the 1963 agreement on the Tarapur nuclear power plant. The Reagan administration averted a major confrontation by arranging for the supply of enriched uranium fuel for the reactor (to have been delivered by the U.S. under the terms of the agreement until 1993) by a third party--France. In the face of India's continued unwillingness to extend full-scope safeguards to all nuclear facilities throughout the country and to comply with the specifics of the Nuclear Nonproliferation Act, the U.S. Congress in 1983 sought to bar the supply of spare parts to the Tarapur plant. The capstone of Secretary of Shultz's visit to New Delhi in July 1983 was an arrangement for a third party--West Germany later agreed--to supply the parts, with the U.S. agreeing to meet requirements if the parts cannot be secured elsewhere.

Opposition in the U.S. Congress to the arrangement was reflected in August 1983 in resolutions introduced in the House and Senate stipulating that in order to receive spare parts, India must provide reliable assurances that it is not engaged in a nuclear weapons program and that it will not explode

another nuclear device. The resolution also called for the extension of the International Atomic Energy Safeguards to Tarapur provided for in the 1963 agreement after the agreement lapses in 1993.

Of particular concern in Congress is the Indian Government's proposal to reprocess spent fuel from Tarapur, now more than 140 tons and an increasingly worrisome storage problem. India's capacity to develop nuclear weapons does not depend on reprocessing Tarapur's spent fuel nor would the plutonium obtained be a likely weapons component. U.S. sanctions against India would be unlikely to influence Indian nuclear policy, save possibly to strengthen the pro-bomb lobby and to push India into a rigid adherence to its present position. India has thus far resisted the nuclear weapons option and, unless confronted by a nuclear Pakistan, will most likely maintain its status as having demonstrated capability without exercising the option to develop and deploy nuclear weapons. But given the intensity of feeling on nonproliferation in Congress and in the American press (as expressed, for example, in the periodic editorials of the Washington Post and the New York Times) together with India's fierce sense of independence, the probability for serious fallout between the U.S. and India over the issue in the next five years is very high.

Potential conflict between the U.S. and India over such issues as American arms to Pakistan, concessional loans, or nuclear nonproliferation will be mediated to some degree by India's desire to maintain and improve economic relations with the U.S. for trade, investment, technology, and loans and to maximize diplomatic flexibility by balancing relations with the two superpowers. But tension between the U.S. and India is also mediated by the growing Indian community in the United States--now some half a million. The importance of the Indian community--largely upper income, highly educated, and

heavily professional--should not be underestimated. It is likely to shape a more positive image of India in the United States, but more significantly, it will deepen and extend the personal bond between the U.S. and India. It is difficult to find anyone among India's elite classes who does not have family and friends in the United States either as permanent residents or students. Indians have always distinguished between the American people and the policies of the U.S. government, and they can be expected to do so in the future--criticizing U.S. policy at the same time they eagerly seek an invitation to visit or admission for a son or daughter to an American university. But personal ties and the positive images of American society that they sustain cushion some of the bumps in Indo-U.S. relations and perhaps provide added incentive for India to seek improved relations with the United States.

The basic character of Indian foreign policy is not likely to change over the next five years, whatever leadership changes may occur. Continuity has been the hallmark of Indian foreign policy, and India can be expected to maintain its traditional friendship with the Soviet Union even as it pursues rapprochement with China, closer ties with Western Europe, and improved relations with the United States. Both India and the U.S. have an interest in improved relations. India does--and should--matter to the United States. As chair of the Non-Aligned Movement and a leader of the Group of 77 in the United Nations, India speaks for much of the developing world in the North-South dialogue. In its call for cooperation through negotiation, India's stance is one of moderation not confrontation. The United States and India see the world differently, but they share common goals in seeking peace, political stability, and economic development for the Third World. India is the keystone of stability in South Asia, and the security of the region is fundamentally dependent upon the strength and stability of India.

Footnotes

1. Shashi Tharoor, Reasons of State: Political Development and India's Foreign Policy under Indira Gandhi, 1966-1977, New Delhi: Vikas, 1982, p. 144. Tharoor argues that Jaisankar brought the Prime Minister's Secretariat to the center of foreign policy decision-making.
2. Ministry of External Affairs, Report, 1966-67, New Delhi: Government of India, 1967, p. 83.
3. Interview, New Delhi, April 19, 1982.
4. For a fascinating scenario, see Ravi Rikhye, The Fourth Round: Indo-Pak War 1984, New Delhi: ABC Publishing House, 1982.
5. India Today, August 31, 1983, pp. 14-15.
6. "Soviet Security Interests in South Asia," in Lawrence Ziring, Ed., The Subcontinent in World Politics: India, its Neighbors, and the Great Powers, Revised Edition, New York: Praeger, 1982, p. 184.
7. Ibid., p. 185.
8. U.S. News and World Report, June 19, 1979.
9. "The Soviet Union in South Asia: A Friend to Rely On?" Journal of International Affairs, Winter-Fall 1980-1981, p. 258.
10. For an account of these efforts, see Leo Rose, "India and ASEAN: Much Ado About Not Much," in Robert A. Scalapino and Jusuf Wanandi, eds., Economic, Political, and Security Issues in Southeast Asia in the 1980s, Berkeley: Institute of East Asian Studies, University of California, 1982, pp. 93-107.